

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|----------------------------------|---|--------------------|
| Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name ISABELLA COUNTY | County ISABELLA |
| Fiscal Year End SEPTEMBER 30, 2006 | Opinion Date FEBRUARY 2, 2007 | Date Audit Report Submitted to State 3-31-07 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input checked="" type="checkbox"/> | SINGLE AUDIT REPORT | |
| Certified Public Accountant (Firm Name) REHMANN ROBSON | | Telephone Number 989 799-9580 | |
| Street Address 5800 GRATIOT, SUITE 201, PO BOX 2025 | | City SAGINAW | State MI |
| Zip 48605 | | | |
| Authorizing CPA Signature  | | Printed Name GERALD J. DESLOOVER, CPA | License Number 1101007126 |

Comprehensive Annual Financial Report



Isabella County, Michigan

For the Year Ended
September 30, 2006

Issued by:

County Administrator's Department

Susan R. Vonder Embse, CPA
Director of Accounting Services

Timothy J. Dolehanty, AICP
County Controller/Administrator

Comprehensive Annual Financial Report
of
Isabella County, Michigan

For the Year Ended
September 30, 2006

Issued by:

County Administrator's Department

Susan R. Vonder Embse, CPA, Director of Accounting Services
Timothy J. Dolehanty, AICP, County Controller/Administrator

ISABELLA COUNTY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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SECTION ONE: INTRODUCTORY SECTION

**ISABELLA COUNTY, MICHIGAN
OFFICIALS
YEAR ENDED SEPTEMBER 30, 2006**

BOARD OF COMMISSIONERS

| | |
|------------------|------------------|
| DAVID LING | CHAIRPERSON |
| FRANCES LICHTMAN | VICE-CHAIRPERSON |
| GEORGE GREEN | BOARD MEMBER |
| JOHN HAUPT | BOARD MEMBER |
| CHRISTINE ALWOOD | BOARD MEMBER |
| ROGER TRUDELL | BOARD MEMBER |
| RON ROBY | BOARD MEMBER |

TRIAL COURT JUDGES

PAUL CHAMBERLAIN, CHIEF

WILLIAM T. ERVIN

WILLIAM R. RUSH

MARK DUTHIE

OTHER ELECTED OFFICIALS

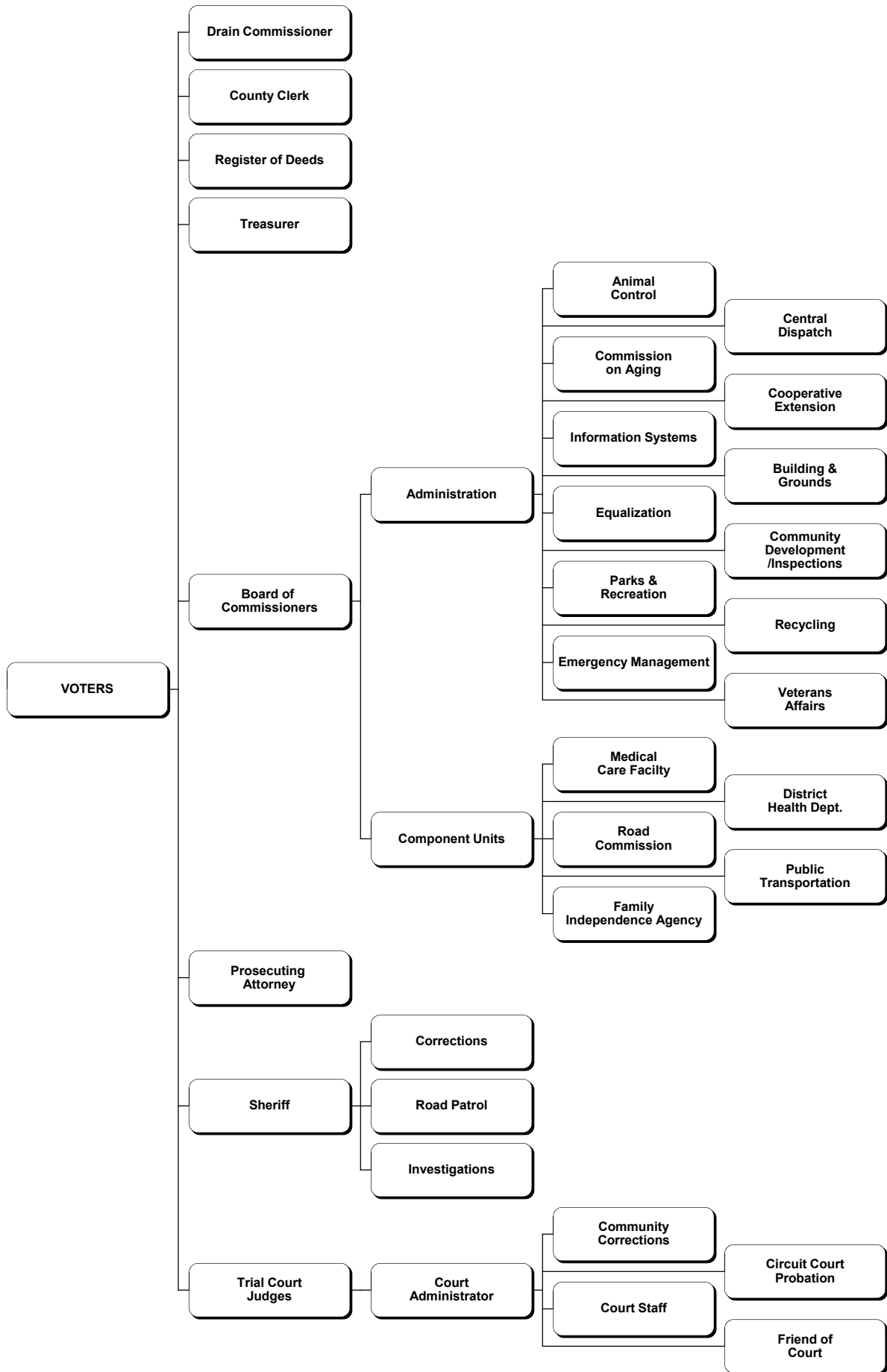
| | |
|------------------|----------------------|
| JOYCE SWAN | COUNTY CLERK |
| GARY MCBRIDE | DRAIN COMMISSIONER |
| SHARON BROWN | REGISTER OF DEEDS |
| STEVEN PICKENS | COUNTY TREASURER |
| LARRY BURDICK | PROSECUTING ATTORNEY |
| LEO MIODUSZEWSKI | COUNTY SHERIFF |

COUNTY CONTROLLER/ADMINISTRATOR

TIMOTHY J. DOLEHANTY, AICP

DIRECTOR OF ACCOUNTING SERVICES

SUSAN R. VONDER EMBSE, CPA





OFFICE OF COUNTY ADMINISTRATOR

200 North Main, Mt. Pleasant, MI 48858

Phone (989) 772-0911, Ext. 202

Fax (989) 773-7431

March 29, 2007

Honorable David Ling, Chairperson
Members of the Isabella County Board of Commissioners
County of Isabella
200 North Main Street
Mount Pleasant, Michigan 48858

Members of the Board:

The Comprehensive Annual Financial Report of the County of Isabella, Mount Pleasant, Michigan, for the year ended September 30, 2006, is submitted herewith. The general purpose financial statements included in this report have been audited by Rehmann Robson. The Comprehensive Annual Financial Report is prepared for the purpose of disclosing the County's financial condition to its residents, elected officials, and other interested parties.

The financial statements have been prepared in compliance with applicable statutes of the State of Michigan and generally accepted accounting principles as stated in the Governmental Accounting Standards Board's (GASB) statements and interpretations.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data as presented is accurate in all material respects; that it is presented in such a manner so as to fairly set forth financial position and results of operations of the County as measured by the financial activity of its funds; and that all disclosures necessary to enable the statement reader to gain the maximum understanding of the County's affairs have been included.

It is believed that the Comprehensive Annual Financial Report substantially conforms to the high standards of financial reporting promulgated by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. This report will be submitted to the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program.

ORGANIZATION OF REPORT:

The Comprehensive Annual Financial Report of Isabella County is divided into four sections: introductory, financial, statistical and single audit. The **Introductory Section** includes the Table of Contents, this Transmittal Letter, a list of principal officials and the Certificate of Achievement for Excellence in Financial Reporting. The **Financial Section** includes Management's Discussion and Analysis, the basic financial statements and the combining nonmajor fund statements, as well as the auditor's report of the financial statements. The **Statistical Data Section** includes, at a minimum, the required GFOA financial and demographic information, generally presented on a multi year basis.

The county is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, is included in the **Single Audit Section** of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES:

This report includes all funds of the County and its component units as defined in Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." In accordance with the criteria of this statement the Isabella County Building Authority, Isabella County Family Independence Agency, Isabella County Medical Care Facility, Isabella County Commission on Aging, and Isabella County Parks Board, are blended into the County's Comprehensive Annual Financial Report. The Family Independence Agency and Medical Care Facility are under the oversight of the Isabella County Family Independence Agency Board. These organizations, with the exception of the Building Authority, are not legally separate. In addition the County maintains a significant degree of financial accountability over the operations of these units. The Isabella County Building Authority is a legally separate organization. However, its operations are blended into the County fund structure because its sole purpose is to finance and construct the County's public buildings.

In accordance with the above criteria the Central Michigan District Health Department, the Isabella County Road Commission, the Isabella County Transportation Commission, the Isabella County Board of Public Works, and the Isabella County Drainage Districts have been discretely presented as component units in the financial statements.

PROFILE OF THE GOVERNMENT:

The management of Isabella County is overseen by a district-elected Board of Commissioners. This board consists of seven members. Commissioners are elected for two year terms and have the responsibility of making appropriations to all County functions and establishing policy for all county operations except the Trial Court. The Board of Commissioners appoints an Administrator/Controller who has the overall responsibility to oversee the administrative duties of the County with the exception of Elected Officials' offices. Management of the Trial Court is overseen by the Chief Trial Court Judge who is also responsible for administrative oversight of the Court.

The County provides many services to the County residents including Sheriff Department Road Patrol services in the unincorporated jurisdictions of the County, the constitutional offices of the County Clerk, Treasurer, Register of Deeds, Sheriff, and Prosecutor and the statutory office of the Drain Commissioner. In addition, the County supports many other programs such as services to older citizens and cultural and recreational services such as the MSU Extension, and parks and recreation, which includes the Pere Marquette Rail-Trail of Mid-Michigan.

FACTORS AFFECTING FINANCIAL CONDITION:

Local Economy:

Isabella County, located near the geographical center of Michigan's Lower Peninsula, has a strong economy and enjoys a rich human and technical resource base. A significant factor contributing to the area's economic strength is the presence of The Soaring Eagle Casino & Resort, which is the County's single largest employer, as well as Central Michigan University. These entities together provide a secure foundation for the area's economy.

The Isabella County Convention and Visitor's Bureau (CVB) is continuing its efforts to promote tourism in the County. Two of the State's major thoroughfares, US-127 and M-20, meet in Mt. Pleasant accounting for millions of vehicle passengers annually.

Recreation:

The County provides many recreational opportunities highlighted by seven premier golf courses; Central Michigan University events and facilities; an array of public parks/lakes; and Mt. Pleasant Meadows, a para-mutual quarter-horse racetrack.

The Saginaw Chippewa Indian Tribe-Sponsored Casino, The Soaring Eagle, continues to be a major attraction for out-of-County visitors. The Soaring Eagle Resort features a 1,500-car parking ramp, cabaret-style bingo hall which seats approximately 2,500 and a 103,000 square foot gaming hall containing 3,500 slot machines as well as Black Jack, Poker and Roulette tables. The 500 room hotel features luxury suites, a conference center and restaurants. Over the years there have been many top entertainers performing weekly, including Vince Gill, Brooks & Dunn, Lynyrd Skynyrd, and Bon Jovi.

Commercial:

The retail trade business continues to be a major contributor to the growth of the County. Positioned strategically near the north and south US-127 interchanges into Mt. Pleasant, Home Depot, Target and Meijer department stores contribute significantly to the volume of retail trade conducted within the confines of the County, employ County residents, and draw people into our community.

Through the efforts of the Middle Michigan Development Corporation (the lead economic development agency for the County) existing firms have expanded while new firms have selected Isabella County as the place to locate their business. An expansive new shopping area including Menards, Kohls, Super-Wal-Mart, and Sam's Club is currently under construction and set to open in early 2007.

Major Initiatives:

Construction of a new sub-acute detoxification facility was completed in early 2006. The new facility compliments services provided through Ten Sixteen Treatment Centers by providing six beds for sub-acute detoxification patients. This program benefits the community and patients by properly treating this medical condition in a properly equipped facility.

Financial Management:

Management of the County is responsible for establishing and maintaining internal control designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Control:

Isabella County maintains budgetary control with the objective to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the General, Special Revenue, Debt Service, and the Capital Projects funds are included in the annual appropriation budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity within these Funds.

Generally, the budget and approved appropriations lapse at the end of the fiscal year, unless specifically re-appropriated by Board action. Encumbrance accounting is not employed by the County, because it is at present considered not necessary to assure affective budgetary control or to facilitate effective cash planning and control.

Single Audit:

As a recipient of federal and state awards, the County is responsible for ensuring that adequate internal control is in place to achieve compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the County

As part of the County's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal award programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended September 30, 2006, disclosed no material weaknesses in internal control and no significant violations of applicable laws and regulations.

Cash and Investments:

During the year, idle cash was temporarily invested in obligations of the U.S. Government and in Certificates of Deposit ranging from 30 to 180 days to maturity, in daily interest savings accounts and in interest-bearing checking accounts. Most savings accounts exist where monies cannot be commingled and/or where the dollars are not large enough to warrant investment elsewhere.

Risk Management:

The County is self-funded for health insurance, including prescriptions, dental and vision services. The program is accounted for in the Self-Insurance Fund (an Internal Service Fund), and is set up as a "pool" of participating groups. There are two groups in the pool which include the County proper and the Medical Care Facility. An independent administrator (Blue Cross) is hired to process daily claims. Individual claims up to \$40,000 are paid from the fund, and Blue Cross is responsible for paying the claims above this amount. Administrative charges and stop loss fees are also paid from the fund.

The revenues for this fund's operations come from the participating groups who pay a fee for each of their participating employees. The fee is the premium rate established by Blue Cross. These rates vary depending on the coverage each employee elects. The County sets caps on the amount of premiums it will pay for non-union employees and negotiates caps with its labor unions. Any premiums above the caps are paid by the employees through payroll deductions.

Employee Pension Plan:

Isabella County participates in the Michigan Municipal Employees Retirement System (MERS); an agent multiple employer state-wide, public employee defined benefit pension plan. Under this plan, the County is required to contribute at an actuarially determined rate. Effective in 2002, all new employees are in a defined contribution plan through ICMA. Under this plan, the County contributes 7% and the employee contributes 2% of their gross salary.

OTHER INFORMATION:**Independent Audit:**

The Michigan Uniform Accounting and Budgeting Act requires an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was selected by the Isabella County Board of Commissioners to perform the County's annual audit. In addition to meeting requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's report on the financial statements and combining and individual fund statements and schedules is included in the financial

section of this report. The auditor's reports related specifically to the single audit are also included in this report in the single audit section.

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Isabella County, Michigan for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2005.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

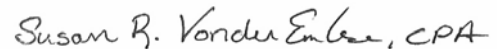
Acknowledgements:

We would like to thank members of the Isabella County Board of Commissioners for your interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Timothy J. Dolehanty, AICP
Administrator/Controller



Susan R. Vonder Embse, CPA
Director of Accounting Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Isabella County
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

SECTION TWO: FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITOR'S REPORT

February 2, 2007

To the Board of Commissioners
of Isabella County, Michigan
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Isabella County, Michigan**, as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Isabella County, Michigan's** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit financial statements of the Isabella County Road Commission, Central Michigan District Health Department and the Isabella County Transportation Commission, which represent 74% and 96% of the assets and revenues, respectively, of the aggregate discretely presented component units. Also, we did not audit the financial statements of Isabella County Medical Care Facility, which is a major enterprise fund, and therefore a separate opinion unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Isabella County Road Commission, Central Michigan Health Department, Isabella County Transportation Commission, and Isabella County Medical Care Facility, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Isabella County, Michigan**, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Tribal Contributions, Revenue Sharing Reserve Fund, and Child Care Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2007, on our consideration of **Isabella County, Michigan's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 15, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the **Isabella County, Michigan's** basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of **Isabella County, Michigan**. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **Isabella County, Michigan**. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical data have not been subjected to the auditing procedures applied by us and the other auditors in the audit of basic financial statements and, accordingly, we express no opinion on them.



Management's Discussion and Analysis

As management of *Isabella County, Michigan*, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$36,118,093. Of this amount, \$15,800,487 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$5,266,381. This was due to a combination of factors including the acceleration of the property tax collections from December to July, and an increase in interest rates on savings and investments resulting in a more than 50 percent increase in investment earnings compared to the prior year.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$8,965,937 an increase of \$2,211,690 in comparison with the prior year. Approximately 76 percent of this amount, or \$6,787,116, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$2,796,488 or 14 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by \$605,000 during the current fiscal year. This decrease was due to the normal pay-off of principal on general obligation bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include legislative, judicial, general government, public safety (including the jail), public works, health and welfare, and culture and recreation. The business-type activities of the County include the delinquent tax collections, recycling facility, building inspections, concessions, and a Medical Care Facility.

The government-wide financial statements include not only Isabella County itself (known as the primary government), but also a legally separate Road Commission, Transportation Commission, Board of Public Works, Drain Commissioner Office, and the District Health Department, for which Isabella County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Isabella County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 16-18 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Tribal Contribution, Revenue Sharing Reserve, Child Care, and Building Authority Bond Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 19-26 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its medical care facility, jail commissary operations, material recovery facility, building inspections department, and delinquent tax operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Isabella County uses an internal service fund to account for its self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the medical care facility and delinquent tax revolving activity, both of which are considered to be major funds. Individual fund data for nonmajor enterprise funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 27-31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-84 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 85-135 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Isabella County, assets exceeded liabilities by \$36,118,093 at the close of the most recent fiscal year.

One of the largest portions of the County's net assets (48 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Isabella County Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Current and other assets | \$ 17,683,098 | \$ 15,774,360 | \$ 11,178,049 | \$ 10,427,266 | \$ 28,861,147 | \$ 26,201,626 |
| Capital assets, net | 16,813,619 | 16,042,346 | 11,620,474 | 11,233,774 | 28,434,093 | 27,276,120 |
| Total assets | 34,496,717 | 31,816,706 | 22,798,523 | 21,661,040 | 57,295,240 | 53,477,746 |
| Long-term liabilities outstanding | 7,391,545 | 6,407,578 | 7,516,848 | 7,724,085 | 14,908,393 | 14,131,663 |
| Other liabilities | 5,385,526 | 7,640,011 | 883,228 | 1,016,032 | 6,268,754 | 8,656,043 |
| Total liabilities | 12,777,071 | 14,047,589 | 8,400,076 | 8,740,117 | 21,177,147 | 22,787,706 |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | 13,583,934 | 12,586,690 | 3,780,427 | 3,814,453 | 17,364,361 | 16,401,143 |
| Restricted | 295,993 | 247,808 | 2,657,252 | 3,047,637 | 2,953,245 | 3,295,445 |
| Unrestricted | 7,839,719 | 4,934,619 | 7,960,768 | 6,058,833 | 15,800,487 | 10,993,452 |
| Total net assets | \$ 21,719,646 | \$ 17,769,117 | \$ 14,398,447 | \$ 12,920,923 | \$ 36,118,093 | \$ 30,690,040 |

An additional portion of the County's net assets (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (44 percent or \$15,800,487) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$5,266,381 during the current fiscal year. This increase largely reflects the mandated change in collection date of two-thirds of the December 2006 property tax levy to July 2006. Also, the county saw the taxable value of property increase by 7.27% in 2006.

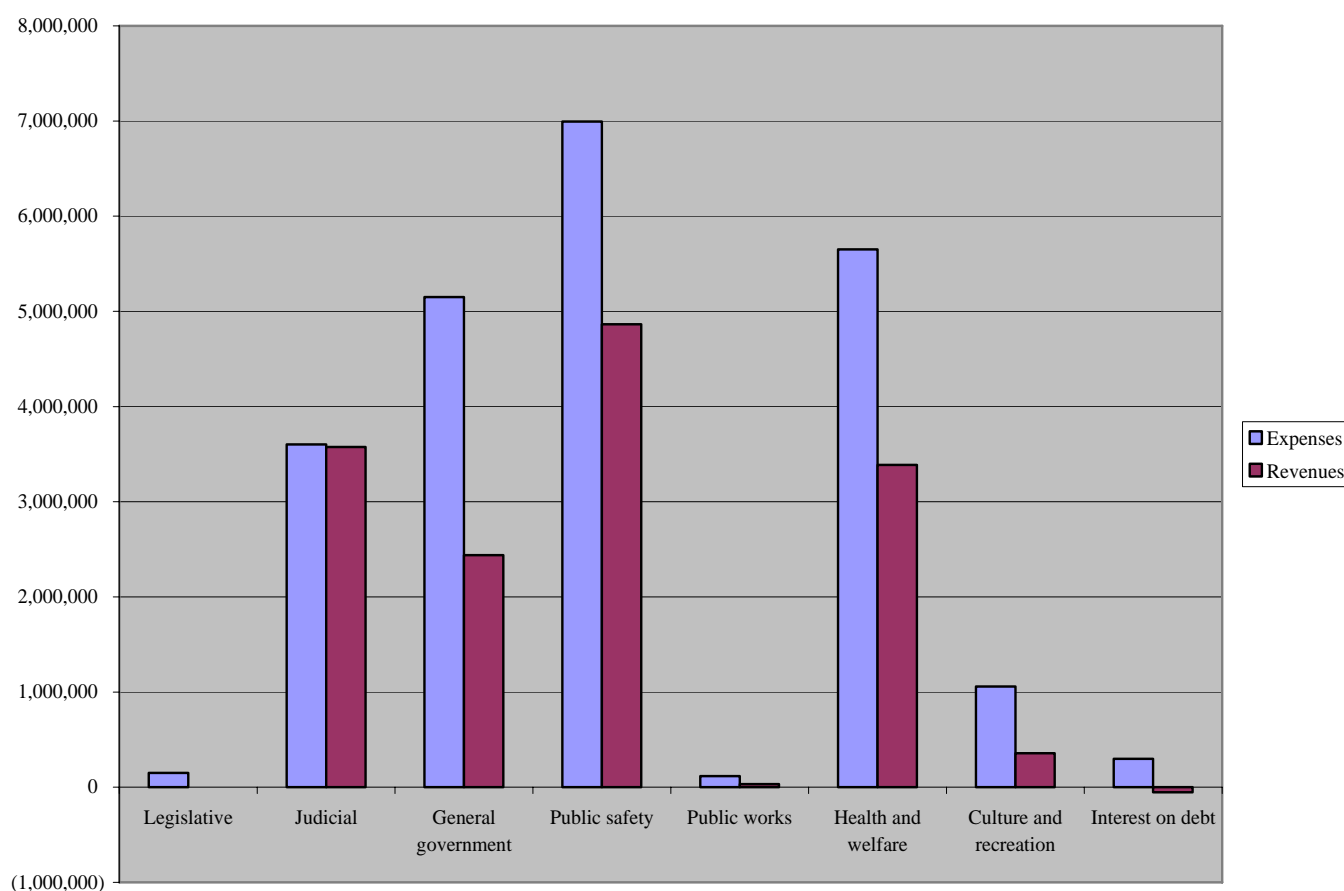
Isabella County Change in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 6,888,231 | \$ 7,156,712 | \$ 8,998,114 | \$ 6,997,459 | \$ 15,886,345 | \$ 14,154,171 |
| Operating grants and contributions | 7,274,570 | 7,314,517 | 438,182 | 506,250 | 7,712,752 | 7,820,767 |
| Capital grants and contributions | 439,063 | 744,934 | - | - | 439,063 | 744,934 |
| General revenues: | | | | | - | - |
| Property taxes | 10,964,855 | 9,883,634 | 1,150,880 | 1,072,663 | 12,115,735 | 10,956,297 |
| Grants and contributions not restricted to specific programs | 410,176 | 361,470 | 76,544 | 150,725 | 486,720 | 512,195 |
| Unrestricted investment earnings | 384,489 | 231,476 | 652,179 | 264,528 | 1,036,668 | 496,004 |
| Gain on disposal of capital assets | - | - | - | 7,733 | - | 7,733 |
| Miscellaneous revenue | - | - | - | - | - | - |
| Total revenues | 26,361,384 | 25,692,743 | 11,315,899 | 8,999,358 | 37,677,283 | 34,692,101 |
| Expenses | | | | | | |
| Legislative | 149,660 | 126,641 | - | - | 149,660 | 126,641 |
| Judicial | 3,602,065 | 3,416,344 | - | - | 3,602,065 | 3,416,344 |
| General government | 5,151,468 | 5,261,816 | - | - | 5,151,468 | 5,261,816 |
| Public safety | 6,993,809 | 6,921,138 | - | - | 6,993,809 | 6,921,138 |
| Public works | 117,136 | 76,458 | - | - | 117,136 | 76,458 |
| Health and welfare | 5,651,353 | 5,933,564 | - | - | 5,651,353 | 5,933,564 |
| Culture and recreation | 1,057,792 | 1,108,896 | - | - | 1,057,792 | 1,108,896 |
| Interest on debt | 297,716 | 315,652 | - | - | 297,716 | 315,652 |
| Delinquent property tax | - | - | 70,472 | 65,087 | 70,472 | 65,087 |
| Recycling facility | - | - | 897,929 | 1,091,877 | 897,929 | 1,091,877 |
| Building Inspections | - | - | 297,811 | 336,463 | 297,811 | 336,463 |
| Concessions | - | - | 129,915 | 143,269 | 129,915 | 143,269 |
| Medical care facility | - | - | 7,993,776 | 6,451,341 | 7,993,776 | 6,451,341 |
| Total expenses | 23,020,999 | 23,160,509 | 9,389,903 | 8,088,037 | 32,410,902 | 31,248,546 |
| Revenues over (under) expenses before transfers | 3,340,385 | 2,532,234 | 1,925,996 | 911,321 | 5,266,381 | 3,443,555 |
| Transfers - internal activities | 429,404 | 299,294 | (429,404) | (299,294) | - | - |
| Increase (decrease) in net assets | 3,769,789 | 2,831,528 | 1,496,592 | 612,027 | 5,266,381 | 3,443,555 |
| Net assets, beginning of year, as restated | 17,949,857 | 14,937,589 | 12,901,855 | 12,308,896 | 30,851,712 | 27,246,485 |
| Total net assets | \$ 21,719,646 | \$ 17,769,117 | \$ 14,398,447 | \$ 12,920,923 | \$ 36,118,093 | \$ 30,690,040 |

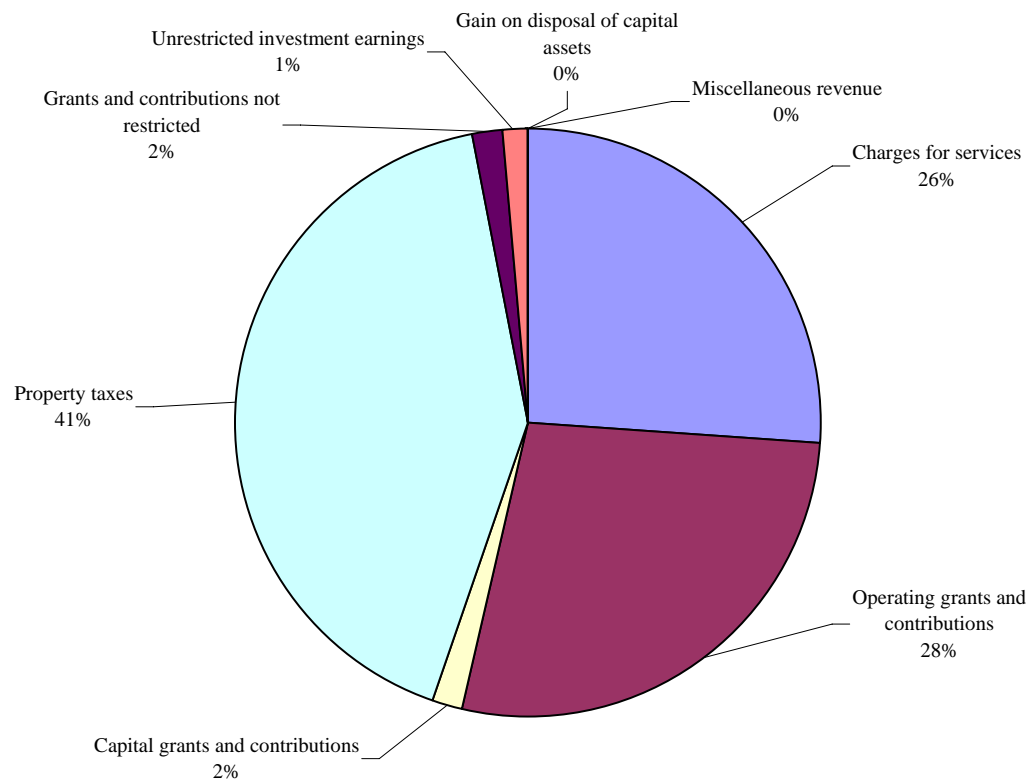
Governmental activities. Governmental activities increased the County's net assets by \$3,769,789. Key elements of this increase are as follows:

- Property taxes increased by approximately 10%. The increase is due to the change in collection date for property taxes from December to July. Two-thirds of the December 2006 tax levy was collected in July of 2006. Also, the taxable value of property increased by over 7 % from 2005 to 2006.
- Due to more aggressive investments and more favorable interest rates, unrestricted investment earnings were up almost 40% compared to the prior fiscal year.
- Total expenses decreased by 6% again in 2006. This is primarily due to the decrease in interest rates charged on debt paid by the county and a large decrease in the expenditures from the child care fund for 2006. The child care fund decrease would be based on fewer juveniles entering the court system.

Expenses and Program Revenues –Governmental Activities



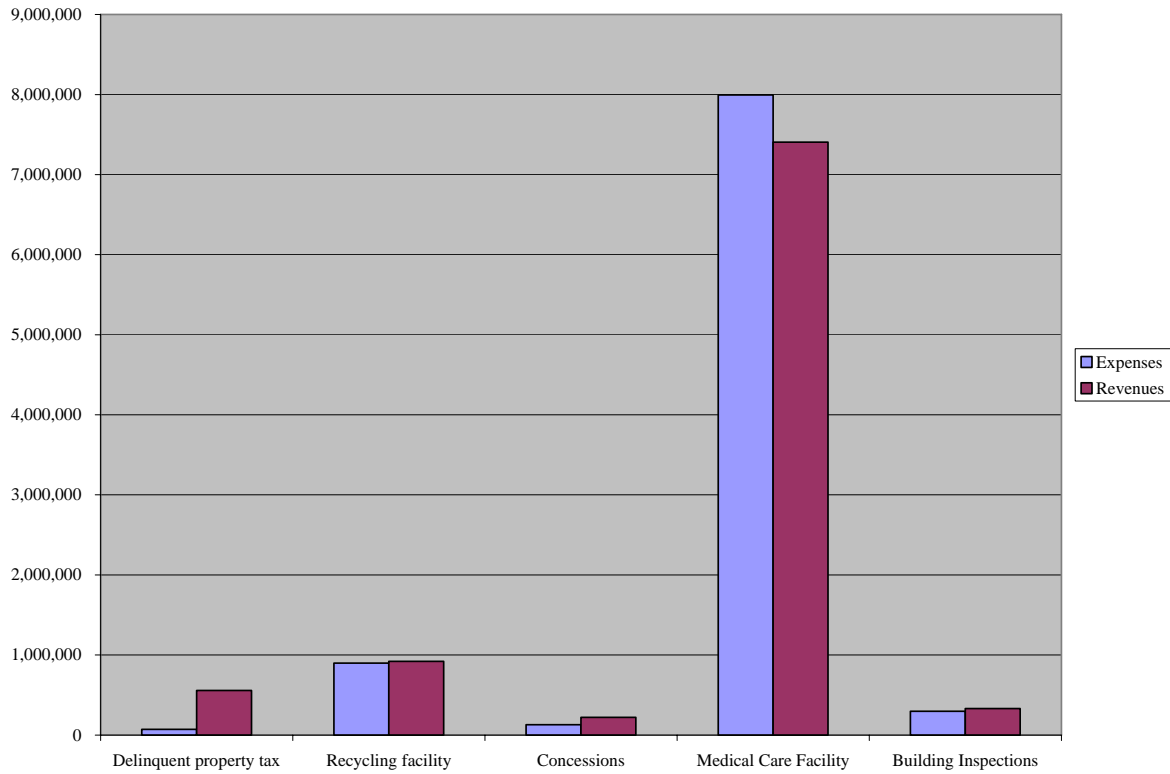
Revenues by Source – Governmental Activities



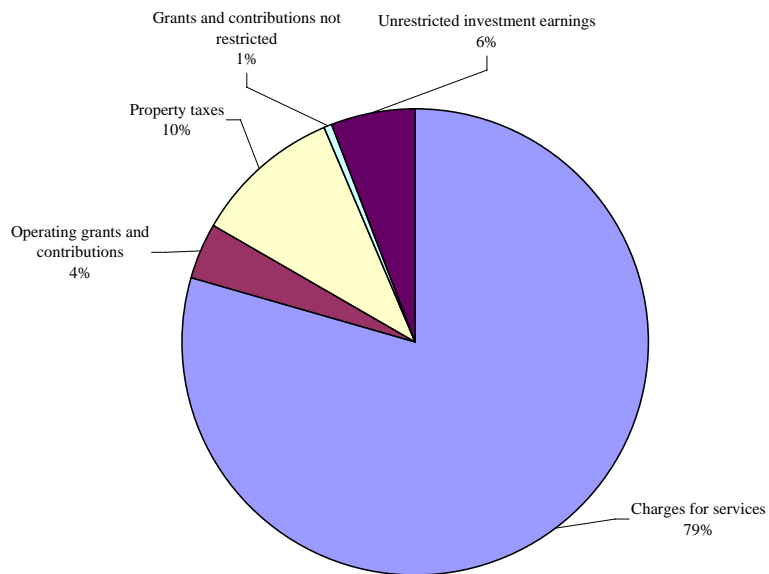
Business-type activities. Business-type activities increased the County's net assets by \$1,496,592 accounting for less than 30% of the growth in the government's net assets for the current year. Key elements of these increases are as follows:

- With the completion of its expansion project in the 2006 fiscal year, the revenue for the Medical Care Facility was up 38% due to increased capacity for patients. A corresponding increase occurred in expenses.
- The unrestricted investment earnings more than doubled from the previous year, with improved interest rates and more aggressive investing.
- The decrease in expenses for the recycling center of 21% were the result of a correction to the calculation of charges paid to Waste Management for annual revenue sharing. The charges had previously been much higher than were required by contract.
- The concessions fund had an increase in revenues of 11% because of a change in vendor which provided a much greater selection to the inmates and also eliminated the need to carry products in inventory at year end.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities Financial Analysis of the Government's Funds



As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$8,965,937, an increase of \$2,211,690 in comparison with the prior year. Approximately 97 percent of this total amount (\$8,695,541) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for inventory (\$27,862), 2) for prepaid items (\$57,546), or 3) for special projects (\$184,988).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,704,913 while total fund balance was \$4,728,824. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 24 percent of total general fund expenditures and transfers out.

The fund balance of the County's general fund increased by \$355,330 during the current fiscal year. Total revenues increased by 9%, while total expenses only increased by 7%. The fund balance increase is due in part to the increase of property taxable values, accelerated collection times, and a substantial Homeland Security Grant.

The fund balance of the Tribal Contribution fund remained the same during the current fiscal year. The Revenue Sharing Reserve fund balance had an increase of \$1,421,361. This was due primarily in the shift in property taxes. The Child Care fund balance increased \$312,940 because of the operating subsidy from the general fund.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The difference between the original and final amended budget for expenditures resulted in an increase of \$406,761 in appropriations. The largest increases were for 1) Emergency Management (\$299,844), reflecting spending of additional homeland security money; 2) Remonumentation (\$58,400), reflecting spending of additional state grant money; and 3) Substance Abuse (\$32,500), reflecting a larger portion of Liquor Tax received by the county. As described above, the increase in appropriations was mostly caused by a corresponding increase in revenue and not additional spending of general fund dollars.

During the year, both general fund revenues and expenditures were more than budgetary estimates. Although the actual change in fund balance was an increase, it was mostly due to the changes in property tax collections as discussed previously.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business type activities as of September 30, 2006, amounted to \$28,434,093 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was 4 percent.

Major capital asset events during the current fiscal year included the following:

- Construction in progress decreased by \$32,208 in governmental type activities. This is mostly due to the completion of the construction of a new detoxification center and the project to install warning sirens throughout the county. The remaining \$348,443 represents the addition of a large construction project at one of the county's parks.
- Additions to equipment and vehicles increased \$1,083,125. This is largely due to \$286,600 for a new console and control panel for Central Dispatch; \$225,982 of equipment for the Emergency Management department; \$105,320 for a security system in the County Building Facility; and \$190,574 for vehicles in various primary government departments, including five new vehicles for the Sheriff's Department. The remaining additions are equipment purchased by the Medical Care Facility.
- There were no deductions for disposal of equipment and vehicles during the fiscal year.
- Land was increased when the detoxification center construction was completed in early December of 2005.
- Buildings and Improvements increased by a net amount of \$3,929,496. The major reason for this increase was an adjustment to move \$3,189,066 from construction in progress due to the completion of the Medical Care Facility expansion project.

Isabella County's Capital Assets (net of depreciation)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|-------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|----------------------|----------------------|
| | <u>2005</u> | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> | <u>2006</u> |
| Land | \$ 1,813,896 | \$ 1,926,943 | \$ 121,953 | \$ 121,953 | \$ 1,935,849 | \$ 2,048,896 |
| Construction in progress | 380,651 | 348,443 | 2,521,970 | - | 2,902,621 | 348,443 |
| Buildings and improvements | 11,951,684 | 12,250,342 | 7,101,609 | 10,450,220 | 19,053,293 | 22,700,562 |
| Equipment | 1,628,132 | 1,958,734 | 1,352,850 | 898,387 | 2,980,982 | 2,857,121 |
| Vehicles | 206,370 | 277,662 | 135,392 | 149,914 | 341,762 | 427,576 |
| Other | <u>61,613</u> | <u>51,495</u> | <u>-</u> | <u>-</u> | <u>61,613</u> | <u>51,495</u> |
| Total net assets | <u>\$16,042,346</u> | <u>\$16,813,619</u> | <u>\$ 11,233,774</u> | <u>\$11,620,474</u> | <u>\$ 27,276,120</u> | <u>\$ 28,434,093</u> |

Additional information on the County's capital assets can be found in note D on pages 55-59 of this report.

Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$14,908,393. Of this amount, \$12,655,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents leases, postclosure landfill costs, long-term insurance claims, and compensated absences.

Isabella County's Outstanding Debt

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|----------------------|----------------------|
| | <u>2005</u> | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> | <u>2006</u> |
| General obligation bonds | \$ 5,785,000 | \$ 5,465,000 | \$ 7,475,000 | \$ 7,190,000 | \$ 13,260,000 | \$ 12,655,000 |
| Capital leases | 80,656 | 29,685 | 3,522 | 1,220 | 84,178 | 30,905 |
| Postclosure landfill costs | 1,011,710 | 1,077,585 | - | - | 1,011,710 | 1,077,585 |
| Accrued compensated absences | 762,645 | 819,275 | 304,763 | 381,346 | 1,067,408 | 1,200,621 |
| Deferred charges | <u>-</u> | <u>-</u> | <u>(59,200)</u> | <u>(55,718)</u> | <u>(59,200)</u> | <u>(55,718)</u> |
| Total net debt | <u>\$ 7,640,011</u> | <u>\$ 7,391,545</u> | <u>\$ 7,724,085</u> | <u>\$ 7,516,848</u> | <u>\$ 15,364,096</u> | <u>\$ 14,908,393</u> |

General Obligation Bonds - \$12,655,000

The County's total governmental activity debt decreased by \$355,276 (5 percent) during the current fiscal year.

The County's total business-type activity debt decreased by \$235,351 (3 percent) during the current fiscal year.

The County's bond rating ranges from A to AAA. The AAA rating is given for bond issues that are backed with millage levies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is \$140,997,548 which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note H on pages 62-71 of this report.

Economic Factors and Next Year's Budgets and Rates

In order to maintain financial stability over the long term, the budgeting practice in Isabella County is to not only adopt a balanced budget as required by law, but to manage its budget in a manner such that actual expenses do not exceed actual revenues on an annual basis. This policy, along with a conscious awareness of the fund balance, has given Isabella County the reserves necessary to address this difficult economic time without resorting to a crisis-management approach. It has permitted the County Board to utilize its annual budget process as the primary vehicle to make decisions on the type and level of county services to be provided. When unexpected revenue losses or expenditure increases occur during the year, they will be addressed through short term expenditure reduction measures such as reductions in controllable expenses, hiring delays, and deferrals of capital expenditures.

- As the economy has slowed, there have been financial impacts to the county. Although property tax revenues remain stable, programs that rely on state and federal grants have suffered financial losses as grant funding remains unchanged or is reduced.
- The October, 2006 unemployment rate for Isabella County was 3.9%, which is an increase from a rate of 3.3% a year earlier. This was less than the State's October, 2006 average unemployment rate of 6.9% and the national average rate of 4.4%.¹
- Two Michigan constitutional laws limit property tax growth to the rate of inflation or a maximum allowable increase in assessment of 5.0 percent, whichever is less. Property tax revenue anticipated for the ensuing fiscal year will reflect the restrictions of these laws as well as an estimated reduction in tax revenue from captured values (Local Development Finance Authorities, Downtown Development Authorities, and Tax Increment Finance Authorities), brownfield zones, and board of reviews.
- Public Act 357 of 2004 (MCL 211.44a) created a funding mechanism to serve as a substitute to state revenue sharing payments. Isabella County will gradually shift its county operating property tax millage from a winter tax levy to a summer tax levy over three consecutive years. The County is required to deposit an amount equal to the County's December 2004 property tax levy into a separate special revenue fund in three separate distributions as follows:
 - in 2005, 1/3 from the December 2004 property tax levy
 - in 2006, 1/3 from the December 2005 property tax levy
 - in 2007, 1/3 from the December 2006 property tax levy

The County is then allowed to make distributions from the special revenue fund in an amount not to exceed its October 1, 2003 through September 30, 2004 revenue sharing payments adjusted for inflation.

¹ Michigan Department of Labor and Economic Growth, *Michigan's October Jobless Rate Down Slightly*, November 15, 2006.

During the current fiscal year, unreserved – undesignated fund balance in the general fund increased to \$2,796,488.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Accounting Services, 200 N. Main St., Mt. Pleasant, Michigan 48858.

ISABELLA COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents | \$ 10,770,959 | \$ 3,849,737 | \$ 14,620,696 | \$ 4,012,115 |
| Investments | 1,213,008 | 1,403,428 | 2,616,436 | 1,846,138 |
| Accounts receivable | 5,350,753 | 3,201,550 | 8,552,303 | 15,840,743 |
| Internal balances | (293,608) | 293,608 | - | - |
| Prepaid items and other assets | 614,124 | 17,373 | 631,497 | 178,992 |
| Inventory | 27,862 | 1,938 | 29,800 | 455,354 |
| Restricted cash and investments | - | 2,410,415 | 2,410,415 | - |
| Capital assets, net: | | | | |
| Assets not being depreciated | 2,275,386 | 121,953 | 2,397,339 | 20,985,660 |
| Assets being depreciated | 14,538,233 | 11,498,521 | 26,036,754 | 56,999,408 |
| Total assets | 34,496,717 | 22,798,523 | 57,295,240 | 100,318,410 |
| Liabilities | | | | |
| Accounts payable | 2,858,684 | 619,168 | 3,477,852 | 3,332,158 |
| Unearned revenue | 2,526,842 | 264,060 | 2,790,902 | 560,585 |
| Noncurrent liabilities: | | | | |
| Due within one year | 1,224,927 | 316,220 | 1,541,147 | 1,481,525 |
| Due in more than one year | 6,166,618 | 7,200,628 | 13,367,246 | 14,335,062 |
| Total liabilities | 12,777,071 | 8,400,076 | 21,177,147 | 19,709,330 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 13,583,934 | 3,780,427 | 17,364,361 | 72,119,480 |
| Restricted for: | | | | |
| Debt service | 49,534 | - | 49,534 | 781,113 |
| Capital projects | 12,141 | 450,507 | 462,648 | 32,505 |
| Other purposes - nonexpendable | - | 55,226 | 55,226 | - |
| Other purposes - expendable | 234,318 | 2,151,519 | 2,385,837 | |
| Unrestricted | 7,839,719 | 7,960,768 | 15,800,487 | 7,675,982 |
| Total net assets | \$ 21,719,646 | \$ 14,398,447 | \$ 36,118,093 | \$ 80,609,080 |

The accompanying notes are an integral part of these financial statements.

ISABELLA COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| <u>Functions / Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue</u> |
|----------------------------------|----------------------|---------------------------------|---|---|----------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Primary government | | | | | |
| Governmental activities: | | | | | |
| Legislative | \$ 149,660 | \$ - | \$ - | \$ - | \$ (149,660) |
| Judicial | 3,602,065 | 2,234,581 | 1,340,212 | - | (27,272) |
| General government | 5,151,468 | 1,819,907 | 466,505 | 151,854 | (2,713,202) |
| Public safety | 6,993,809 | 2,175,113 | 2,402,938 | 287,209 | (2,128,549) |
| Public works | 117,136 | - | 32,717 | - | (84,419) |
| Health and welfare | 5,651,353 | 388,823 | 2,997,934 | - | (2,264,596) |
| Culture and recreation | 1,057,792 | 323,391 | 34,264 | - | (700,137) |
| Interest on debt | 297,716 | (53,584) | - | - | (351,300) |
| Total governmental activities | <u>23,020,999</u> | <u>6,888,231</u> | <u>7,274,570</u> | <u>439,063</u> | <u>(8,419,135)</u> |
| Business-type activities: | | | | | |
| Medical Care Facility | 7,993,776 | 7,261,947 | 144,368 | - | (587,461) |
| Delinquent property tax | 70,472 | 556,383 | - | - | 485,911 |
| Building inspections | 297,811 | 331,525 | - | - | 33,714 |
| Recycling facility | 897,929 | 626,238 | 293,814 | - | 22,123 |
| Concessions | 129,915 | 222,021 | - | - | 92,106 |
| Total business-type activities | <u>9,389,903</u> | <u>8,998,114</u> | <u>438,182</u> | <u>-</u> | <u>46,393</u> |
| Total primary government | <u>\$ 32,410,902</u> | <u>\$ 15,886,345</u> | <u>\$ 7,712,752</u> | <u>\$ 439,063</u> | <u>\$ (8,372,742)</u> |
| Component units | | | | | |
| Road Commission | \$ 7,668,994 | \$ 43,002 | \$ 5,115,691 | \$ 5,564,098 | \$ 3,053,797 |
| Central Michigan District Health | 8,048,867 | 1,122,824 | 5,718,787 | - | (1,207,256) |
| Board of Public Works | 497,089 | 452,288 | - | - | (44,801) |
| Drainage Districts | 596,816 | 378,875 | - | - | (217,941) |
| Transportation Commission | 3,768,014 | 544,644 | 1,767,785 | 329,591 | (1,125,994) |
| Total component units | <u>\$ 20,579,780</u> | <u>\$ 2,541,633</u> | <u>\$ 12,602,263</u> | <u>\$ 5,893,689</u> | <u>\$ 457,805</u> |

continued...

ISABELLA COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| Functions/Programs | Primary Government | | | Component Units |
|---|------------------------------------|-------------------------------------|----------------------|----------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Changes in net assets | | | | |
| Net (expense) revenue | \$ (8,419,135) | \$ 46,393 | \$ (8,372,742) | \$ 457,805 |
| General revenues: | | | | |
| Property taxes | 10,964,855 | 1,150,880 | 12,115,735 | 1,007,439 |
| Grants and contributions not restricted to specific programs | 410,176 | 76,544 | 486,720 | 1,166,145 |
| Gain on equipment disposal | - | - | - | 34,288 |
| Unrestricted investment earnings | 384,489 | 652,179 | 1,036,668 | 183,986 |
| Transfers - internal activities | 429,404 | (429,404) | - | - |
| Total general revenues and transfers | 12,188,924 | 1,450,199 | 13,639,123 | 2,391,858 |
| Change in net assets | 3,769,789 | 1,496,592 | 5,266,381 | 2,849,663 |
| Net assets, beginning of year, as restated | 17,949,857 | 12,901,855 | 30,851,712 | 77,759,417 |
| Net assets, end of year | <u>\$ 21,719,646</u> | <u>\$ 14,398,447</u> | <u>\$ 36,118,093</u> | <u>\$ 80,609,080</u> |

The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006**

| | General | Tribal Contribution | Revenue Sharing Reserve |
|--|---------------------|------------------------|-------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 3,891,256 | \$ 2,498,850 | \$ 1,384,412 |
| Cash on deposit with agent | 168,427 | - | - |
| Investments | - | - | 1,213,008 |
| Receivables: | | | |
| Taxes | 236,859 | - | - |
| Accounts, (net of allowance for doubtful accounts) | 77,145 | 1,049,618 | - |
| Interest | - | - | 2,451 |
| Due from other funds | 520,270 | - | - |
| Due from other governmental units: | | | |
| Federal | 51,219 | - | - |
| State | 313,225 | - | - |
| Local | 168,420 | 31,337 | - |
| Capitalized lease receivable | - | - | - |
| Inventory | 16,682 | - | - |
| Prepaid expenditures | 7,229 | - | - |
| Total assets | \$ 5,450,732 | \$ 3,579,805 | \$ 2,599,871 |
| Liabilities and fund balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 253,438 | \$ 1,803,992 | \$ - |
| Accrued salaries payable | 223,103 | 15,055 | - |
| Accrued liabilities | 21,377 | - | - |
| Due to other funds | 43,870 | 541,030 | - |
| Due to other governmental units: | | | |
| State | - | - | - |
| Deferred revenue | 180,120 | 1,219,526 | - |
| Total liabilities | 721,908 | 3,579,603 | - |
| Fund balances | | | |
| Reserved | 23,911 | - | - |
| Unreserved | | | |
| Designated, General Fund | 1,908,425 | - | - |
| Undesignated, reported in: | | | |
| General Fund | 2,796,488 | - | - |
| Special Revenue Funds | - | 202 | 2,599,871 |
| Debt Service Funds | - | - | - |
| Capital Project Funds | - | - | - |
| Total fund balances | 4,728,824 | 202 | 2,599,871 |
| Total liabilities and fund balances | \$ 5,450,732 | \$ 3,579,805 | \$ 2,599,871 |

The accompanying notes are an integral part of these financial statements.

| Child Care | Building Authority Bonds | Nonmajor Governmental Funds | Total |
|-----------------------|---|--|----------------------|
| \$ 410,168 | \$ 26,458 | \$ 1,401,298 | \$ 9,612,442 |
| - | - | - | 168,427 |
| - | - | - | 1,213,008 |
| - | - | - | 236,859 |
| - | - | 713,773 | 1,840,536 |
| - | - | - | 2,451 |
| - | 23,076 | 559,106 | 1,102,452 |
| - | - | 125,825 | 177,044 |
| 138,740 | - | 75,980 | 527,945 |
| 12,138 | - | - | 211,895 |
| - | 5,465,000 | - | 5,465,000 |
| - | - | 11,180 | 27,862 |
| 49,330 | - | 987 | 57,546 |
| \$ 610,376 | \$ 5,514,534 | \$ 2,888,149 | \$ 20,643,467 |

| | | | |
|-----------|-----------|------------|--------------|
| \$ 32,692 | \$ - | \$ 181,253 | \$ 2,271,375 |
| 1,902 | - | - | 240,060 |
| - | - | 97,110 | 118,487 |
| 65,576 | - | 175,795 | 826,271 |
| 26,866 | - | 27,000 | 53,866 |
| - | 5,465,000 | 1,302,825 | 8,167,471 |
| 127,036 | 5,465,000 | 1,783,983 | 11,677,530 |

| | | | |
|-------------------|---------------------|---------------------|----------------------|
| 49,330 | - | 197,155 | 270,396 |
| - | - | - | 1,908,425 |
| - | - | - | 2,796,488 |
| 434,010 | - | 894,870 | 3,928,953 |
| - | 49,534 | - | 49,534 |
| - | - | 12,141 | 12,141 |
| 483,340 | 49,534 | 1,104,166 | 8,965,937 |
| \$ 610,376 | \$ 5,514,534 | \$ 2,888,149 | \$ 20,643,467 |

ISABELLA COUNTY, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

| | |
|--|--------------|
| Fund balances - total governmental funds | \$ 8,965,937 |
|--|--------------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

| | |
|------------------------------------|--------------|
| Add: capital assets | 29,101,872 |
| Subtract: accumulated depreciation | (12,288,253) |

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

| | |
|--|-------------|
| Add: deferred revenue on property taxes receivable | 175,629 |
| Add: deferred revenue on capital leases receivable | 5,465,000 |
| Subtract: capital lease receivable with other County funds | (3,200,000) |

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

| | |
|--|-----------|
| Add: net assets of governmental activities accounted for in internal service funds | 1,000,902 |
|--|-----------|

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

| | |
|--|-------------|
| Subtract: bonds payable | (5,465,000) |
| Subtract: accrued interest payable | (109,896) |
| Subtract: capital leases | (29,685) |
| Subtract: postclosure landfill liability | (1,077,585) |
| Subtract: vested employee benefits | (819,275) |

| | |
|---------------------------------------|-----------------------------|
| Net assets of governmental activities | <u><u>\$ 21,719,646</u></u> |
|---------------------------------------|-----------------------------|

The accompanying notes are an integral part of these financial statements.

ISABELLA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | General | Tribal Contribution | Revenue Sharing Reserve |
|---|---------------------|--------------------------------|--|
| Revenues | | | |
| Taxes | \$ 11,085,829 | \$ - | \$ - |
| Licenses and permits | 196,734 | - | - |
| Intergovernmental | 2,298,254 | 1,549,756 | - |
| Charges for services | 2,601,606 | - | - |
| Fines and forfeits | 307,273 | - | - |
| Interest and rent | 2,109,432 | - | 32,464 |
| Other revenue | 220,754 | - | - |
| Total revenues | 18,819,882 | 1,549,756 | 32,464 |
| Expenditures | | | |
| Current: | | | |
| Legislative | 162,409 | - | - |
| Judicial | 2,669,611 | - | - |
| General government | 4,407,960 | 220,610 | - |
| Public safety | 5,204,786 | 1,188,957 | - |
| Public works | 153,475 | 32,717 | - |
| Health and welfare | 1,307,077 | - | - |
| Recreation and cultural | 213,570 | 91,812 | - |
| Other | 401,492 | - | - |
| Capital outlay | - | 15,660 | - |
| Debt service | 45,864 | - | - |
| Total expenditures | 14,566,244 | 1,549,756 | - |
| Revenues over (under) expenditures | 4,253,638 | - | 32,464 |
| Other financing sources (uses) | | | |
| Transfers in | 1,293,357 | - | 2,501,754 |
| Transfers out | (5,191,665) | - | (1,112,857) |
| Total other financing sources (uses) | (3,898,308) | - | 1,388,897 |
| Net change in fund balances | 355,330 | - | 1,421,361 |
| Fund balances, beginning of period | 4,373,494 | 202 | 1,178,510 |
| Fund balances, end of period | \$ 4,728,824 | \$ 202 | \$ 2,599,871 |

The accompanying notes are an integral part of these financial statements.

| Child Care | Building Authority Bonds | Nonmajor Governmental Funds | Total |
|-----------------------|---|--|---------------|
| \$ - | \$ - | \$ - | \$ 11,085,829 |
| - | - | 259,037 | 455,771 |
| 822,681 | - | 2,791,839 | 7,462,530 |
| 212,786 | - | 1,088,433 | 3,902,825 |
| - | - | 154,319 | 461,592 |
| - | 273,666 | 28,736 | 2,444,298 |
| - | - | 578,729 | 799,483 |
| 1,035,467 | 273,666 | 4,901,093 | 26,612,328 |
| | | | |
| | - | - | 162,409 |
| | - | 879,136 | 3,548,747 |
| | - | 21,932 | 4,650,502 |
| | - | 937,955 | 7,331,698 |
| | - | - | 186,192 |
| 1,922,881 | - | 2,408,758 | 5,638,716 |
| | - | 825,337 | 1,130,719 |
| | - | - | 401,492 |
| | - | 1,095,163 | 1,110,823 |
| | 612,914 | 9,966 | 668,744 |
| 1,922,881 | 612,914 | 6,178,247 | 24,830,042 |
| (887,414) | (339,248) | (1,277,154) | 1,782,286 |
| | | | |
| 1,200,354 | 341,299 | 1,427,662 | 6,764,426 |
| - | - | (30,500) | (6,335,022) |
| 1,200,354 | 341,299 | 1,397,162 | 429,404 |
| 312,940 | 2,051 | 120,008 | 2,211,690 |
| 170,400 | 47,483 | 984,158 | 6,754,247 |
| \$ 483,340 | \$ 49,534 | \$ 1,104,166 | \$ 8,965,937 |

**ISABELLA COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | | |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | 2,211,690 |
|--|----|-----------|

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|--------------------------------|--|-----------|
| Add: capital outlay | | 1,711,216 |
| Subtract: depreciation expense | | (929,360) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

| | | |
|---|--|-----------|
| Subtract: decrease in taxes receivable | | (120,974) |
| Subtract: current year payment of capital leases receivable | | (145,000) |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | | |
|--|--|---------|
| Add: principal payments on long-term liabilities | | 370,968 |
|--|--|---------|

The decrease in the County's long-term liability for environmental remediation did not provide current financial resources, and was consequently not reported in the funds.

| | | |
|--|--|--------|
| Add: decrease in long-term liability for environmental remediation | | 69,056 |
|--|--|--------|

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|---|--|----------|
| Add: decrease in the accrued interest payable | | 4,352 |
| Subtract: increase in the accrual of compensated absences | | (84,748) |

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

| | | |
|--|--|---------|
| Add: interest revenue | | 15,030 |
| Add: net operating income from governmental activities accounted for in internal service funds | | 667,559 |

| | | |
|---|----|------------------|
| Change in net assets of governmental activities | \$ | <u>3,769,789</u> |
|---|----|------------------|

The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|---------------------|------------------------------------|
| Revenues | | | | |
| Taxes | \$ 8,134,413 | \$ 10,636,167 | \$ 11,085,829 | \$ 449,662 |
| Licenses and permits | 184,388 | 184,388 | 196,734 | 12,346 |
| Intergovernmental: | | | | |
| Federal | 130,393 | 416,532 | 780,877 | 364,345 |
| State | 1,276,314 | 1,367,214 | 1,455,985 | 88,771 |
| Local | 156,333 | 156,333 | 61,392 | (94,941) |
| Charges for services | 2,724,569 | 2,724,569 | 2,601,606 | (122,963) |
| Fines and forfeits | 455,231 | 458,795 | 307,273 | (151,522) |
| Interest and rent | 1,875,715 | 1,875,715 | 2,109,432 | 233,717 |
| Other | 13,500 | 25,437 | 220,754 | 195,317 |
| Total revenues | 14,950,856 | 17,845,150 | 18,819,882 | 974,732 |
| Expenditures | | | | |
| Current | | | | |
| Legislative | 122,944 | 122,944 | 162,409 | 39,465 |
| Judicial | 2,697,624 | 2,701,188 | 2,669,611 | (31,577) |
| General government | 4,379,084 | 4,445,484 | 4,407,960 | (37,524) |
| Public safety | 4,527,996 | 4,862,687 | 5,204,786 | 342,099 |
| Public works | 277,837 | 277,837 | 153,475 | (124,362) |
| Health and welfare | 1,322,825 | 1,350,661 | 1,307,077 | (43,584) |
| Recreation and cultural | 235,100 | 235,100 | 213,570 | (21,530) |
| Other | 545,000 | 518,670 | 401,492 | (117,178) |
| Debt service | 46,252 | 46,852 | 45,864 | (988) |
| Total expenditures | 14,154,662 | 14,561,423 | 14,566,244 | 4,821 |
| Revenues over (under) expenditures | 796,194 | 3,283,727 | 4,253,638 | 969,911 |
| Other financing sources (uses) | | | | |
| Transfers in | 1,467,000 | 1,467,000 | 1,293,357 | (173,643) |
| Transfers out | (2,631,017) | (5,196,635) | (5,191,665) | 4,970 |
| Total other financing sources (uses) | (1,164,017) | (3,729,635) | (3,898,308) | (168,673) |
| Net change in fund balance | (367,823) | (445,908) | 355,330 | 801,238 |
| Fund balance, beginning of period | 4,373,494 | 4,373,494 | 4,373,494 | - |
| Fund balance, end of period | \$ 4,005,671 | \$ 3,927,586 | \$ 4,728,824 | \$ 801,238 |

The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN
TRIBAL CONTRIBUTION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|------------------------------------|----------------------------|---------------------------|---------------|------------------------------------|
| Revenues | | | | |
| Local | \$ - | \$ - | \$ 1,549,756 | \$ 1,549,756 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | 220,610 | 220,610 |
| Public safety | - | - | 1,188,957 | 1,188,957 |
| Public works | - | - | 32,717 | 32,717 |
| Recreation and cultural | - | - | 91,812 | 91,812 |
| Capital outlay | - | - | 15,660 | 15,660 |
| Total expenditures | - | - | 1,549,756 | 1,549,756 |
| Net change in fund balance | - | - | - | - |
| Fund balance, beginning of period | 202 | 202 | 202 | - |
| Fund balance, end of period | <u>\$ 202</u> | <u>\$ 202</u> | <u>\$ 202</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN
CHILD CARE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|-------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal | \$ 11,426 | \$ 11,426 | \$ 4,064 | \$ (7,362) |
| State | 938,500 | 938,500 | 796,141 | (142,359) |
| Local | 73,500 | 73,500 | 22,476 | (51,024) |
| Charges for services | 199,500 | 199,500 | 212,786 | 13,286 |
| Total revenues | 1,222,926 | 1,222,926 | 1,035,467 | (187,459) |
| Expenditures | | | | |
| Health and welfare: | | | | |
| Voluntary probation officer | 14,300 | 14,300 | 16,815 | 2,515 |
| In-home program | 103,581 | 103,581 | 118,006 | 14,425 |
| Drug program | 7,500 | 7,500 | 5,564 | (1,936) |
| Family foster care | 119,900 | 119,900 | 105,873 | (14,027) |
| Institutional care | 527,500 | 527,500 | 330,249 | (197,251) |
| Detention | 242,000 | 246,999 | 267,906 | 20,907 |
| Day treatment | 393,000 | 393,000 | 392,610 | (390) |
| State institutions | 225,000 | 225,000 | 175,388 | (49,612) |
| Adoption subsidy | 500 | 500 | - | (500) |
| Department of Human Services | 790,000 | 790,000 | 510,470 | (279,530) |
| Total expenditures | 2,423,281 | 2,428,280 | 1,922,881 | (505,399) |
| Revenues over (under) expenditures | (1,200,355) | (1,205,354) | (887,414) | 317,940 |
| Other financing sources | | | | |
| Transfers in | 1,200,354 | 1,205,354 | 1,200,354 | (5,000) |
| Net change in fund balance | (1) | - | 312,940 | 312,940 |
| Fund balance, beginning of period | 170,400 | 170,400 | 170,400 | - |
| Fund balance, end of period | \$ 170,399 | \$ 170,400 | \$ 483,340 | \$ 312,940 |

The accompanying notes are an integral part of these financial statements.

ISABELLA COUNTY, MICHIGAN
REVENUE SHARING RESERVE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|---------------------|------------------------------------|
| Revenues | | | | |
| Interest revenue | \$ - | \$ - | \$ 32,464 | \$ 32,464 |
| Other financing sources (uses) | | | | |
| Transfers in | - | 2,501,754 | 2,501,754 | - |
| Transfers out | - | (1,112,857) | (1,112,857) | - |
| Total other financing sources (uses) | - | 1,388,897 | 1,388,897 | - |
| Net change in fund balance | - | 1,388,897 | 1,421,361 | 32,464 |
| Fund balances, beginning of period | 1,178,510 | 1,178,510 | 1,178,510 | - |
| Fund balances, end of period | <u>\$ 1,178,510</u> | <u>\$ 2,567,407</u> | <u>\$ 2,599,871</u> | <u>\$ 32,464</u> |

The accompanying notes are an integral part of these financial statements.

ISABELLA COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006

| | Business-type Activities | | | | Governmental Activities |
|------------------------------------|--------------------------|--------------------------|---------------------------|-----------------|-------------------------|
| | Enterprise Funds | | | | Internal Service Fund |
| | Medical Care Facility | Delinquent Tax Revolving | Nonmajor Enterprise Funds | Total | |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 1,084,100 | \$ 1,742,914 | \$ 1,022,723 | \$ 3,849,737 | \$ 990,090 |
| Investments | - | 980,137 | 423,291 | 1,403,428 | - |
| Taxes receivable | 16,889 | 1,626,988 | - | 1,643,877 | - |
| Accounts receivable - net | 1,118,889 | - | 73,883 | 1,192,772 | 89,023 |
| Interest receivable | - | 4,497 | 3,476 | 7,973 | - |
| Due from other funds | - | - | 35,077 | 35,077 | 893 |
| Due from other governmental units: | | | | | |
| State | - | - | 44,635 | 44,635 | - |
| Local | 63,416 | 50,872 | 198,005 | 312,293 | - |
| Inventory | - | - | 1,938 | 1,938 | - |
| Prepaid expenses | 17,373 | - | - | 17,373 | 556,578 |
| Restricted cash and investments | 2,410,415 | - | - | 2,410,415 | - |
| Total current assets | 4,711,082 | 4,405,408 | 1,803,028 | 10,919,518 | 1,636,584 |
| Capital assets | | | | | |
| Land | - | - | 121,953 | 121,953 | - |
| Buildings and improvements | 13,756,215 | - | 1,247,038 | 15,003,253 | - |
| Equipment | - | - | 850,967 | 850,967 | - |
| Vehicles | - | - | 374,751 | 374,751 | - |
| Construction in progress | - | - | - | - | - |
| | 13,756,215 | - | 2,594,709 | 16,350,924 | - |
| Less accumulated depreciation | (3,445,792) | - | (1,284,658) | (4,730,450) | - |
| Total capital assets | 10,310,423 | - | 1,310,051 | 11,620,474 | - |
| Total assets | 15,021,505 | 4,405,408 | 3,113,079 | 22,539,992 | 1,636,584 |

continued...

| | Business-type Activities | | | | Governmental Activities |
|---|--------------------------|--------------------------|---------------------------|----------------------|-------------------------|
| | Enterprise Funds | | | | Internal Service Fund |
| | Medical Care Facility | Delinquent Tax Revolving | Nonmajor Enterprise Funds | Total | |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 194,867 | \$ - | \$ 134,660 | \$ 329,527 | \$ - |
| Accrued liabilities | 276,080 | - | 13,561 | 289,641 | 65,000 |
| Due to other funds | - | 588 | 150,425 | 151,013 | 161,138 |
| Unearned revenue | 230,526 | - | - | 230,526 | - |
| Long-term liabilities - current portion | 315,000 | - | 1,220 | 316,220 | - |
| Total current liabilities | 1,016,473 | 588 | 299,866 | 1,316,927 | 226,138 |
| Long-term liabilities | | | | | |
| Unearned revenue | - | - | 33,534 | 33,534 | - |
| Accrued vacation and sick | 332,532 | - | 33,814 | 366,346 | - |
| Capital lease payable | 6,834,282 | - | - | 6,834,282 | - |
| Total long-term liabilities | 7,166,814 | - | 67,348 | 7,234,162 | - |
| Total liabilities | 8,183,287 | 588 | 367,214 | 8,551,089 | 226,138 |
| Net assets | | | | | |
| Investment in capital assets, net of related debt | 2,471,596 | - | 1,308,831 | 3,780,427 | - |
| Restricted for: | | | | | |
| Equipment replacement | - | - | 450,507 | 450,507 | - |
| Nonexpendable | 55,226 | - | - | 55,226 | - |
| Expendable | 2,151,519 | - | - | 2,151,519 | - |
| Unrestricted | 2,159,877 | 4,404,820 | 986,527 | 7,551,224 | 1,410,446 |
| Total net assets | \$ 6,838,218 | \$ 4,404,820 | \$ 2,745,865 | \$ 13,988,903 | \$ 1,410,446 |

The accompanying notes are an integral part of these financial statements.

ISABELLA COUNTY, MICHIGAN
RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF
NET ASSETS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

| | |
|-------------------------------------|---------------|
| Net assets - total enterprise funds | \$ 13,988,903 |
|-------------------------------------|---------------|

Amounts reported for business-type activities in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in business-type activities in the statement of net assets.

| | |
|---|----------------|
| Add: net assets of business-type activities accounted for in internal service funds | <u>409,544</u> |
|---|----------------|

| | |
|--|-----------------------------|
| Net assets of business-type activities | <u><u>\$ 14,398,447</u></u> |
|--|-----------------------------|

The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Business-type Activities | | | | Governmental Activities |
|--|--------------------------------------|---|--|----------------------|--------------------------------------|
| | Enterprise Funds | | | | |
| | Medical Care Facility | Delinquent Tax Revolving | Nonmajor Enterprise Funds | Total | Internal Service Fund |
| Operating revenues | | | | | |
| Charges for services | \$ 7,261,947 | \$ 339,381 | \$ 842,680 | \$ 8,444,008 | \$ 3,447,683 |
| Sales | - | - | 529,706 | 529,706 | - |
| Other | - | - | - | - | 99,098 |
| Total operating revenues | 7,261,947 | 339,381 | 1,372,386 | 8,973,714 | 3,546,781 |
| Operating expenses | | | | | |
| Personal services | 4,680,134 | - | 488,767 | 5,168,901 | - |
| Supplies | 1,703,494 | - | 31,067 | 1,734,561 | - |
| Contractual services | 619,392 | - | 9,203 | 628,595 | - |
| Other services and charges | 446,864 | 43 | 714,076 | 1,160,983 | - |
| Health insurance benefits/premiums/fees | - | - | - | - | 2,727,745 |
| Cost of goods sold | - | - | 86,779 | 86,779 | - |
| Depreciation | 388,715 | - | 93,910 | 482,625 | - |
| Total operating expenses | 7,838,599 | 43 | 1,423,802 | 9,262,444 | 2,727,745 |
| Operating income (loss) | (576,652) | 339,338 | (51,416) | (288,730) | 819,036 |
| Nonoperating revenues (expenses) | | | | | |
| Property taxes - debt service | 1,150,880 | - | - | 1,150,880 | - |
| Intergovernmental - state grant | - | - | 48,026 | 48,026 | - |
| Intergovernmental - local contributions | 144,368 | - | 245,788 | 390,156 | - |
| Interest revenue | 76,544 | 100,100 | 48,995 | 225,639 | 15,030 |
| Other | 80,000 | - | - | 80,000 | - |
| Intergovernmental transfer in | 781,732 | - | - | 781,732 | - |
| Intergovernmental transfers out | (334,248) | - | - | (334,248) | - |
| Interest expense | (278,733) | - | (203) | (278,936) | - |
| Total nonoperating revenues | 1,620,543 | 100,100 | 342,606 | 2,063,249 | 15,030 |
| Income before transfers | 1,043,891 | 439,438 | 291,190 | 1,774,519 | 834,066 |
| Transfers | | | | | |
| Transfers in | - | - | 145,846 | 145,846 | - |
| Transfers out | - | (575,250) | - | (575,250) | - |
| Total transfers | - | (575,250) | 145,846 | (429,404) | - |
| Changes in net assets | 1,043,891 | (135,812) | 437,036 | 1,345,115 | 834,066 |
| Net assets, beginning of period, as restated | 5,794,327 | 4,540,632 | 2,308,829 | 12,643,788 | 576,380 |
| Net assets, end of period | \$ 6,838,218 | \$ 4,404,820 | \$ 2,745,865 | \$ 13,988,903 | \$ 1,410,446 |

The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN FUND NET ASSETS OF ENTERPRISE FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | | |
|---|----|-----------|
| Change in net assets - total enterprise funds | \$ | 1,345,115 |
|---|----|-----------|

Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with business-type activities.

Add: net operating income from business-type activities accounted for in internal service funds

151,477

Change in net assets of business-type activities

\$ 1,496,592

The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Business-type Activities | | | | Governmental Activities |
|---|---------------------------------|---------------------------------|----------------------------------|---------------------|--------------------------------|
| | Enterprise Funds | | | | Internal Service Fund |
| | Medical Care Facility | Delinquent Tax Revolving | Nonmajor Enterprise Funds | Total | |
| Cash flows from operating activities | | | | | |
| Cash received from customers and users | \$ 6,958,229 | \$ 66,808 | \$ 1,121,911 | \$ 8,146,948 | \$ - |
| Cash received from interfund services provided | - | - | 109,035 | 109,035 | 3,391,986 |
| Cash payments for interfund services received | - | (1,988) | (22) | (2,010) | - |
| Cash payments to suppliers for goods and services | (3,935,840) | (43) | (948,683) | (4,884,566) | (2,790,831) |
| Cash payments to employees for services | (3,655,351) | - | (478,965) | (4,134,316) | - |
| Net cash provided (used) by operating activities | (632,962) | 64,777 | (196,724) | (764,909) | 601,155 |
| Cash flows from noncapital financing activities | | | | | |
| Rental receipts | 80,000 | - | - | 80,000 | - |
| Intergovernmental transfers | 447,484 | - | - | 447,484 | - |
| Intergovernmental - state grant | - | - | 48,026 | 48,026 | - |
| Intergovernmental - local contributions | - | - | 245,788 | 245,788 | - |
| Transfers in | - | - | 145,846 | 145,846 | - |
| Transfers (out) | - | (575,250) | - | (575,250) | - |
| Net cash provided (used) by noncapital financing activities | 527,484 | (575,250) | 439,660 | 391,894 | - |
| Cash flows from capital and related financing activities | | | | | |
| Property taxes | 1,150,880 | - | - | 1,150,880 | - |
| Capital contributions | 144,368 | - | - | 144,368 | - |
| Purchase and construction of capital assets | (655,880) | - | (48,531) | (704,411) | - |
| Principal paid on capital debt | (285,000) | - | (2,298) | (287,298) | - |
| Interest paid on capital debt | (155,562) | - | (203) | (155,765) | - |
| Net cash provided (used) by capital and related financing activities | 198,806 | - | (51,032) | 147,774 | - |
| Cash flows from investing activities | | | | | |
| Purchase of investments | - | (980,137) | (423,291) | (1,403,428) | - |
| Interest on investments | 76,544 | 95,603 | 45,519 | 217,666 | 15,030 |
| Net cash provided (used) by investing activities | 76,544 | (884,534) | (377,772) | (1,185,762) | 15,030 |
| Net increase (decrease) in cash and cash equivalents | 169,872 | (1,395,007) | (185,868) | (1,411,003) | 616,185 |
| Cash and cash equivalents, beginning of period | 3,324,643 | 3,137,921 | 1,208,591 | 7,671,155 | 373,905 |
| Cash and cash equivalents, end of period | \$ 3,494,515 | \$ 1,742,914 | \$ 1,022,723 | \$ 6,260,152 | \$ 990,090 |
| Reconciliation of operating income to net cash provided by operating activities | | | | | |
| Operating income (loss) | \$ (576,652) | \$ 339,338 | \$ (51,416) | \$ (288,730) | \$ 819,036 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 388,715 | - | 93,910 | 482,625 | - |
| Changes in assets and liabilities | | | | | |
| Accounts receivable | (263,528) | - | (10,070) | (273,598) | (35,147) |
| Taxes receivable | - | (120,425) | - | (120,425) | - |
| Due from other funds | - | - | 109,033 | 109,033 | (259) |
| Due from other governmental units | (22,804) | (152,148) | (140,405) | (315,357) | - |
| Inventory | - | - | 6,926 | 6,926 | - |
| Prepaid expenses | (4,132) | - | - | (4,132) | 2,606 |
| Accounts payable | (56,166) | - | (114,484) | (170,650) | - |
| Accrued liabilities | (85,141) | - | 9,802 | (75,339) | - |
| Due to other funds | - | (1,988) | (20) | (2,008) | (65,692) |
| Unearned revenue | (13,254) | - | (100,000) | (113,254) | (119,389) |
| Total adjustments | (56,310) | (274,561) | (145,308) | (476,179) | (217,881) |
| Net cash provided (used) by operating activities | \$ (632,962) | \$ 64,777 | \$ (196,724) | \$ (764,909) | \$ 601,155 |

The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2006**

| | Agency Funds |
|---------------------------------|-------------------------|
| Assets | |
| Cash and cash equivalents | \$ 737,399 |
| Accounts receivable | 1,165 |
| | <hr/> |
| Total assets | \$ 738,564 |
| | <hr/> |
| Liabilities | |
| Accounts payable | \$ 254,655 |
| Due to other governmental units | 233,237 |
| Due to individuals | 146,837 |
| Undistributed receipts | 103,835 |
| | <hr/> |
| Total liabilities | \$ 738,564 |
| | <hr/> |

The accompanying notes are an integral part of these financial statements.

ISABELLA COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2006

| | Road Commission | Central Michigan District Health | Board of Public Works |
|---|----------------------------|---|--------------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,337,014 | \$ 489,966 | \$ 72,780 |
| Investments | - | - | - |
| Receivables: | | | |
| Special assessments | - | - | - |
| Accounts, notes and other (net) | 133,419 | 318,264 | 9,141,188 |
| Interest | - | - | - |
| Due from other governmental units: | | | |
| State | 2,628,433 | 750,667 | - |
| Local | 124,235 | 295,712 | - |
| Inventory | 185,925 | 128,864 | - |
| Prepaid expenses | 99,310 | 33,981 | - |
| Capital assets, net: | | | |
| Assets not being depreciated | 20,478,452 | - | 16,000 |
| Assets being depreciated | 40,686,531 | 1,049,236 | 54,251 |
| Total assets | 65,673,319 | 3,066,690 | 9,284,219 |
| Liabilities | | | |
| Accounts payable | 2,015,236 | 132,271 | 18,290 |
| Accrued liabilities | 78,314 | 158,775 | - |
| Advances and deposits | 96,708 | 649,175 | - |
| Due to other governmental units | 19,217 | - | - |
| Unearned revenue | 24,489 | - | - |
| Accrued vested benefits - due within one year | - | 294,031 | - |
| Accrued vested benefits | 192,709 | 286,455 | - |
| Long-term debt - due within one year | 189,546 | 132,928 | 190,000 |
| Long-term debt - due in more than one year | 563,261 | 1,204,980 | 8,940,000 |
| Total liabilities | 3,179,480 | 2,858,615 | 9,148,290 |
| Net assets | | | |
| Investment in capital assets, net of related debt | 60,397,822 | (288,672) | 70,251 |
| Restricted for: | | | |
| Debt service | - | - | - |
| Capital projects | - | - | 32,505 |
| Unrestricted | 2,096,017 | 496,747 | 33,173 |
| Total net assets | \$ 62,493,839 | \$ 208,075 | \$ 135,929 |

The accompanying notes are an integral part of these financial statements.

| Drainage Districts | | Transportation Commission | Total Component Units |
|--------------------|------------|---------------------------|-----------------------|
| \$ | 1,583,357 | \$ 528,998 | \$ 4,012,115 |
| | 1,846,138 | - | 1,846,138 |
| | 2,037,633 | - | 2,037,633 |
| | - | 78,141 | 9,671,012 |
| | 13,887 | - | 13,887 |
| | - | 319,164 | 3,698,264 |
| | - | - | 419,947 |
| | 26,695 | 113,870 | 455,354 |
| | - | 45,701 | 178,992 |
| | 437,204 | 54,004 | 20,985,660 |
| | 11,302,248 | 3,907,142 | 56,999,408 |
| | 17,247,162 | 5,047,020 | 100,318,410 |
| | 33,994 | 31,509 | 2,231,300 |
| | - | 52,628 | 289,717 |
| | - | - | 745,883 |
| | - | 46,041 | 65,258 |
| | 497,314 | 38,782 | 560,585 |
| | - | 62,158 | 356,189 |
| | - | - | 479,164 |
| | 515,229 | 97,633 | 1,125,336 |
| | 2,755,942 | 391,715 | 13,855,898 |
| | 3,802,479 | 720,466 | 19,709,330 |
| | 8,468,281 | 3,471,798 | 72,119,480 |
| | 781,113 | - | 781,113 |
| | - | - | 32,505 |
| | 4,195,289 | 854,756 | 7,675,982 |
| \$ | 13,444,683 | \$ 4,326,554 | \$ 80,609,080 |

ISABELLA COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| <u>Functions / Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue</u> |
|------------------------------------|------------------------|--|--|--|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Road Commission | \$ 7,668,994 | \$ 43,002 | \$ 5,115,691 | \$ 5,564,098 | \$ 3,053,797 |
| Central Michigan District Health | 8,048,867 | 1,122,824 | 5,718,787 | - | (1,207,256) |
| Board of Public Works | 497,089 | 452,288 | - | - | (44,801) |
| Drainage Districts | 596,816 | 378,875 | - | - | (217,941) |
| Transportation Commission | 3,768,014 | 544,644 | 1,767,785 | 329,591 | (1,125,994) |
| Total component units | <u>\$ 20,579,780</u> | <u>\$ 2,541,633</u> | <u>\$ 12,602,263</u> | <u>\$ 5,893,689</u> | <u>\$ 457,805</u> |

continued...

**ISABELLA COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| Functions/Programs | Road Commission | Central Michigan District Health | Board of Public Works | Drainage Districts | Transportation Commission | Total |
|---|----------------------------|---|--------------------------------------|-------------------------------|--------------------------------------|----------------------|
| Changes in net assets | | | | | | |
| Net (expense) revenue | \$ 3,053,797 | \$ (1,207,256) | \$ (44,801) | \$ (217,941) | \$ (1,125,994) | \$ 457,805 |
| General revenues: | | | | | | |
| Property taxes | - | - | - | - | 1,007,439 | 1,007,439 |
| Grants and contributions not restricted to specific programs | - | 1,166,145 | - | - | - | 1,166,145 |
| Gain on equipment disposal | 34,288 | - | - | - | - | 34,288 |
| Unrestricted investment earnings | - | 10,735 | 1,507 | 133,758 | 37,986 | 183,986 |
| Total general revenues | 34,288 | 1,176,880 | 1,507 | 133,758 | 1,045,425 | 2,391,858 |
| Change in net assets | 3,088,085 | (30,376) | (43,294) | (84,183) | (80,569) | 2,849,663 |
| Net assets, beginning of year, as restated | 59,405,754 | 238,451 | 179,223 | 13,528,866 | 4,407,123 | 77,759,417 |
| Net assets, end of year | <u>\$ 62,493,839</u> | <u>\$ 208,075</u> | <u>\$ 135,929</u> | <u>\$ 13,444,683</u> | <u>\$ 4,326,554</u> | <u>\$ 80,609,080</u> |

The accompanying notes are an integral part of these financial statements.

ISABELLA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

I. Summary of significant accounting policies

Isabella County is located in the center of Michigan's lower peninsula and covers an area of 572 square miles. The estimated population of the County is 63,180 (based upon the 2000 census). The County is a public corporation, created under the Constitution and Statutes of Michigan, and has general governmental powers and authority. A seven-member Board of Commissioners is the governing body. The legislative body is elected by districts to a two-year term.

The accounting and reporting policies of the County relating to the funds included in the basic financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled, "Audits of State and Local Governmental Units". The more significant accounting policies of the County are described below.

The component unit columns in the government-wide statements include the financial data of the County's component units. They are reported in a separate column to emphasize that they are legally separate from the County.

A. Reporting entity

As required by generally accepted accounting principles, these financial statements present Isabella County (the primary government) and its component units. In evaluating how to define the government for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB), Statement 14. The following component units are included in the County's reporting entity because they are entities for which the County is considered to be financially accountable.

Blended component unit -

The Isabella County Building Authority (ICBA) is governed by a three (3) member Board appointed by the County Board of Commissioners. Although, it is legally separate from the County, the ICBA is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

ISABELLA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Discretely presented component units -

The Isabella County Road Commission maintains primary, local and state trunklines within Isabella County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are appointed by the Isabella County Board of Commissioners. Isabella County is secondarily obligated to provide repayment of a material loan through the State of Michigan. All long-term debt issuances excluding capital lease purchase agreements require County authorization.

The Central Michigan District Health Department is a multi-county agency established to provide public health services. The District Health Department has representation and provides services to Arenac, Clare, Gladwin, Isabella, Osceola and Roscommon Counties. Isabella and the other participating counties provide annual appropriations to subsidize operations of the District Health Department. The District Health Department will be primarily responsible for the debt service relating to the Building Authority bond issue sold to finance the construction of the District Health Department Building. Financial accountability to the County is demonstrated by these annual operating appropriations and the rental of space to house their operations. In addition, the treasury function for the agency rests with the Isabella County Treasurer. Also, the nature and significance of the relationship between the County and the Health Department is such that exclusion would cause the reporting entity's financial statements to be incomplete. For these reasons, the operations for the above component unit is discretely presented in the Isabella County financial statements.

The Isabella County Board of Public Works (BPW) has the responsibility of administering the various Public Works construction projects and the associated debt service funds under the provisions of Act 185, Public Acts of 1957, as amended. The Board is also responsible for the administration of the operations of the Lake Isabella Water Supply System. The Board of Public Works operates as a seven (7) member Board comprised of the Drain Commissioner and six (6) members appointed by the County Board of Commissioners. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

ISABELLA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The Isabella County Drain Commissioner is solely responsible for the administration of the drainage districts established pursuant to Act 40, P.A. 1956, as amended. The statutory Inter-County Drainage Boards consist of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the Drainage Districts are separate legal entities. The Drainage Board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the Drainage Districts upon authorization of the County Board of Commissioners. The Drainage Districts are financially accountable to the County because the County has pledged its full faith and credit for the payment of the outstanding bond issues authorized by the Drain Commissioner. Also, the nature and significance of the relationship between the County and the Drainage Districts is such that exclusion would cause the reporting entity's financial statements to be incomplete.

The Isabella County Transportation Commission (ICTC) provides mass transit services to the citizens of Isabella County. The Commission was created by an inter-local agreement between the County and the City of Mt. Pleasant. A voting majority to the ICTC is appointed by the County Board of Commissioners. A County-wide tax levy is subject to County Board approval. The Commission taxes are levied under the taxing authority of the County and are included as part of the County's total tax levy. The Isabella County Treasurer, by statute, is responsible for the treasury function for the Commission. For these reasons, the ICTC has been discretely presented in the financial statements.

The funds associated with the activities of the Drainage Districts administered by the Isabella County Drain Commissioner and the Isabella County Board of Public Works are included within the scope of the audit of these basic financial statements. Separate audited financial statements for these component units have not been issued. Component unit statements are included as supplemental information for these component units.

Complete financial statements of the following individual component units that are audited separately can be obtained from their respective administrative offices or from the Isabella County Clerk's Office at the Isabella County Courthouse.

ADMINISTRATIVE OFFICES:

Isabella County Road Commission
West M-20
Mt. Pleasant, Michigan 48858

ISABELLA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Central Michigan District Health Department
2012 E. Preston Avenue
Mt. Pleasant, Michigan 48858

Isabella County Transportation Commission
4590 Pickard
Mt. Pleasant, Michigan 48858

Related organization -

The County's officials are also responsible for appointing the members of the Board of the Economic Development Corporation, but the County's accountability for this organization does not extend beyond making the appointments. In 2006, the County did not provide any operating assistance to this organization.

Jointly governed organizations -

The Central Michigan Mental Health Facilities Board organized as a 501(c)(3) non-profit organization primarily to provide mental health facilities to Clare, Isabella, Mecosta and Osceola Counties. Each of the four Counties through their respective Boards of Commissioners appoint two (2) members to the Facilities Board. The Facilities Board, Isabella County and the Isabella County Building Authority entered into a three-party agreement whereby, the County through the Building Authority sold general obligation bonds to construct a mental health building within Mt. Pleasant. The Building Authority leases the building to the County.

The County in turn subleases the building to the Facilities Board, with the annual rent equal to the debt service requirements of the bond issue. The Facilities Board entered into a separate, but related, rental agreement with the Central Michigan Mental Health Services Board to provide office space. This operating lease provides substantially all the funding necessary to meet the Facilities Board's lease obligation with the County. The title of the building is to revert to the Facilities Board upon redemption of the bond issue.

Similar arrangements have been made to construct mental health facilities in Mecosta and Osceola Counties between the Facilities Board, the Counties and their Building Authorities.

The Facilities Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14. For this reason it is not considered a component unit of the County.

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The Central Michigan Community Mental Health Services Board reorganized as a Community Mental Health Authority under Act 258 of Public Act of 1974, as amended. The Board has representatives and provides services to Clare, Isabella, Osceola, and Mecosta Counties. All participating Counties provide annual appropriations, however, none of the participating Counties are financially responsible for the Board.

The Services Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14. For this reason it is not considered a component unit of the County.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *tribal contribution fund* accounts for the funding provided from the Saginaw Chippewa Tribe and the related uses of those funds.

The *revenue sharing reserve fund* accounts for tax millage funds as required by Public Act 357 of 2004.

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The *child care fund* accounts for grant funds that the County receives to provide child care services.

The *building authority bonds fund* accounts for the debt service on the bonds issued by the building authority.

The government reports the following major proprietary funds:

The *medical care facility fund* accounts for the activities of the government's inpatient medical care.

The *delinquent tax revolving fund* accounts for the activities of the government's purchase and collection of delinquent property taxes.

Additionally, the County reports the following fund types:

The *internal service fund* accounts for self-funded health insurance services provided to other departments or agencies of the government on a cost reimbursement basis.

Agency funds are use to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the medical care facility enterprise fund are charges to customers for services. The principal operating revenues of the delinquent tax revolving enterprise fund are collections of delinquent property taxes receivable and the related charges and fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The County maintains a common checking account for its operating funds. Each participating fund reports its share separately. To the extent that some funds have negative balances in their share of common cash, such negative balances represent temporary interfund borrowings and, at September 30, have been recorded as interfund payables to funds with positive balances.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

For purposes of the statement of cash flows, the County considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Interest earned on the common checking account or investment accounts are deposited directly to the General Fund unless specifically required by law or Board action to be deposited in the individual funds.

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2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Through 2004, the County property taxes have been levied on December 1 of each year (the lien date) and are due in full by March 1 of the year following the levy, at which time uncollected taxes become delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County’s levy date is gradually shifting (or accelerating) from December 1 to July 1 of each year. As such, for the year ended September 30, 2006, the County recognized the full December 1, 2005 levy and the July 1, 2006 levy to the extent that amounts were received within 60 days of the end of the fiscal period. The July 1, 2006 levy represents two-thirds of the total tax levy for calendar 2006. In 2007, and for each year thereafter, all of the County property tax will be levied July 1.

3. Inventory and prepaid items

The purchase method is used to account for inventories of the Governmental Fund Types, with the exception of the General Fund, which accounts for County Jail foodstuffs inventory following the consumption method, and the Special Revenue Funds, which accounts for the inventory of the Commission On Aging Fund using the consumption method. Under the purchase method, inventories are recorded as expenditures when purchased; no inventory accounted for under this method is considered to be material and, consequently, inventories are not reported on the related Balance Sheets. Inventories for the General Fund County Jail foodstuffs and the Commission on Aging Fund’s Food with Friends Program are reported at cost using specific identification of actual goods consumed to relieve inventory.

The consumption method is also utilized to account for the inventories of the Isabella County Road Commission, Central Michigan District Health, and Isabella County Transportation Commission. These three discretely presented component units report inventory at cost using the first-in, first-out cost flow method.

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The County has certain payments to vendors that reflect costs applicable to future accounting periods and are recorded as an asset for prepaid items in both the government-wide and fund financial statements.

4. Restricted assets

Certain restricted investment trust fund accounts have been established in the Medical Care Facility Enterprise Fund Type. Restricted assets are reported as established by the Family Independence Agency Board to set aside assets for future capital improvement.

5. Capital assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

In the Drainage District component unit and the Road Commission component unit, infrastructure includes only those infrastructure assets acquired subsequent to October 1, 2002.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------|--------------|
| Land improvements | 20-30 |
| Buildings | 20-50 |
| Infrastructure | 5-50 |
| Vehicles | 5-20 |
| Equipment | 4-20 |

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6. Deferred revenue

Deferred revenue results when the criteria for recognition of an asset have been met, but where the criteria for recognition of the revenue have not been met. Deferred revenue is recorded in the financial statements when receivables are long-term in nature or when grant funds or other money received represents advances in excess of expended or properly matched amounts.

7. Compensated absences

Using the criteria established in Governmental Accounting Standards Board (GASB) Statement 16, a liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the employer and employee should be accrued as employees earn the rights to the benefits. Compensated absences related to future services or that are contingent on a specific event that is outside the control of the employer should be accounted for in the period those services are rendered or those events take place.

The various County and Component Unit employee agreements state that accumulated sick leave benefits will be paid upon death, retirement, or severance of employment in accordance with certain stated percentages based on length of employment. The County utilizes the Termination Payment Method to determine the amount of unused employee sick leave benefits. Under this approach, a liability should be accrued as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through cash benefits conditioned on the employees' termination or retirement.

The County's policies and agreements with County employees for vacation and sick pay benefits meet this criteria and accordingly constitute vested benefits, as do the policies of the component units.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Stewardship, compliance and accountability

A. Budgetary information

Generally accepted accounting principles, as they apply to local units of government, require that budgets be adopted for the General Fund and all Special Revenue Funds. The budgets for these funds and the Debt Service and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.

The County follows these procedures in establishing the budgetary data reflected in the financial statements for funds included in the Primary Government:

1. Budgetary control is exercised at the departmental level. Any revisions to the adopted budget at the department level (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with prescribed procedure under Michigan Public Act 621 of 1978. Management is authorized to amend the budget within departments at a line item level without board approval.
2. Generally, the budget and approved appropriations lapse at the end of the fiscal year, unless specifically re-appropriated by Board action. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the County, because it is at present considered not necessary to assure affective budgetary control or to facilitate effective cash planning and control.

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3. Budgetary integration is employed for the General, Special Revenue, Debt Service and Capital Projects funds, as a management control device. Management is authorized to transfer budgeted amounts within these functional areas.
4. Comparisons to budget are presented as required by generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the County Board of Commissioners. Individual budget amendments that were material relative to the original adopted budget were made during the year in various funds. Supplemental appropriations were necessary during the year.

Similar procedures are followed in the case of the Component Units included in the Reporting Entity of Isabella County, except that the respective Administrator of each performs the functions described above rather than the County Board.

B. Excess of expenditures over appropriations

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended September 30, 2006, the County incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

| | <u>Appropriations</u> | <u>Expenditures</u> | <u>Budget Variance</u> |
|--------------------------|-----------------------|---------------------|----------------------------|
| General Fund | | | |
| Board of Commissioners | \$ 122,944 | \$ 162,409 | \$ 39,465 |
| Adult Drug Court | 94,638 | 97,038 | 2,400 |
| Circuit Court Probation | - | 2,511 | 2,511 |
| Elections and Canvassing | 22,082 | 23,033 | 951 |
| County Clerk | 381,271 | 385,347 | 4,076 |
| Human Resources | 28,800 | 71,455 | 42,655 |
| Public Defender | 390,050 | 400,515 | 10,465 |
| Register of Deeds | 278,183 | 278,706 | 523 |
| Remonumentation | 108,617 | 112,986 | 4,369 |
| Building Authority | 271,605 | 272,440 | 835 |
| Building and Grounds | 664,669 | 715,813 | 51,144 |
| Road Patrol | 158,643 | 161,881 | 3,238 |
| OWI | - | 25,118 | 25,118 |
| Traffic Enforcement | - | 7,153 | 7,153 |
| Corrections | 2,103,179 | 2,136,702 | 33,523 |
| Youth Grant | 1,805 | 16,977 | 15,172 |

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NOTES TO FINANCIAL STATEMENTS

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| | <u>Appropriations</u> | <u>Expenditures</u> | <u>Budget Variance</u> |
|---------------------------------|-----------------------|---------------------|----------------------------|
| General Fund (continued) | | | |
| AG Preservation Board | \$ - | \$ 572 | \$ 572 |
| Emergency Management | 437,492 | 760,388 | 322,896 |
| Road Graveling | - | 20,609 | 20,609 |
| Public Health | 385,847 | 386,719 | 872 |
| Special Revenue Funds | | | |
| Tribal Contribution Fund - | | | |
| General Government | - | 220,610 | 220,610 |
| Public Safety | - | 1,188,957 | 1,188,957 |
| Public Works | - | 32,717 | 32,717 |
| Recreation and Culture | - | 91,812 | 91,812 |
| Capital Outlay | - | 15,660 | 15,660 |
| Child Care Fund - | | | |
| Voluntary Probation Officer | 14,300 | 16,815 | 2,515 |
| In-home Program | 103,581 | 18,006 | 14,425 |
| Detention | 246,999 | 267,906 | 20,907 |
| Debt Service Fund | | | |
| Building Authority Bonds Fund – | | | |
| Interest & Fiscal Charges | 292,824 | 292,914 | 90 |

III. Detailed notes on all funds

A. Deposits and investments

Statutory Authority

State statutes authorize the County to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

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- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

A reconciliation of cash and investments as shown in the basic financial statements to the County's deposits and investments is as follows:

Carrying Amount -

Government-wide Financial Statement Captions:

Primary Government:

| | |
|---------------------------------|---------------|
| Cash and cash equivalents | \$ 14,620,696 |
| Investments | 2,616,436 |
| Restricted cash and investments | 2,410,415 |

Component Units:

| | |
|---------------------------|-----------|
| Cash and cash equivalents | 4,012,115 |
| Investments | 1,846,138 |

Fiduciary Fund Financial Statement Captions:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | <u>737,399</u> |
|---------------------------|----------------|

\$ 26,243,199

Deposits and Investments:

| | |
|---|---------------|
| Bank deposits (checking accounts, savings accounts and certificates of deposit) | \$ 25,448,501 |
|---|---------------|

Investments:

| | |
|------------------|---------------|
| Investment funds | 307,257 |
| Commercial paper | 473,724 |
| Cash on hand | <u>13,717</u> |

\$ 26,243,199

ISABELLA COUNTY, MICHIGAN

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The County chooses to disclose its investments by specifically identifying each. As of September 30, 2006, the County had the following investments and maturities.

| <u>Investment</u> | <u>Maturity</u> | <u>Fair Value</u> | <u>Rating</u> |
|--------------------------------------|-----------------|-------------------|---------------|
| MBIA Michigan CLASS pool | n/a | \$ 307,257 | AAA / V1+ |
| Sydney Capital Corp commercial paper | 11/21/06 | 473,724 | A1/P1 |

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The County's investment policy does not have specific limits in excess of state law on investment credit risk. The County's investment in the MBIA Michigan CLASS pool is rated AAA / V1+ by Fitch. The County's investment in the Sydney Capital Corp commercial paper is rated A1/P1 by Moody's.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end \$18,923,003 of the County's bank balance of \$19,737,435 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk and the County does not have a policy for investment custodial credit risk. However, while uninsured and unregistered, the County's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the County's name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The County's investment policy does not have specific limits in excess of state law on concentration of credit.

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NOTES TO FINANCIAL STATEMENTS

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B. Receivables

Receivables as of year end for the County's governmental and business-type activities in the aggregate, are as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Component Units</u> |
|---------------------------------|---|--|-----------------------------------|
| Receivables: | | | |
| Taxes | \$ 236,859 | \$ 1,626,988 | \$ - |
| Special assessments – current | - | - | 500,000 |
| Accounts | 1,929,559 | 1,273,077 | 541,012 |
| Capitalized leases – current | 155,000 | - | 190,000 |
| Interest | 2,451 | 7,973 | 13,887 |
| Intergovernmental | 916,884 | 293,512 | 4,118,211 |
| Special assessments – long term | - | - | 1,537,633 |
| Capitalized leases – long term | <u>2,110,000</u> | <u>-</u> | <u>8,940,000</u> |
| Total receivables | <u>\$ 5,350,753</u> | <u>\$ 3,201,550</u> | <u>\$ 15,840,743</u> |

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|---|---------------------------|-------------------------|
| Property taxes receivable (General Fund) | \$ 175,629 | \$ - |
| Capitalized leases receivable | 2,265,000 | - |
| Intergovernmental revenue received prior to meeting all recognition requirements | | |
| General Fund | | 4,491 |
| Tribal Contribution Fund | - | 1,219,526 |
| Non-major governmental fund types | <u>-</u> | <u>1,302,825</u> |
| Total | <u>\$ 2,440,629</u> | <u>\$ 2,526,842</u> |

Capitalized leases reported in the governmental activities exclude those leases with other County funds. Therefore, the deferred revenue associated with these leases is not disclosed above.

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C. Capitalized lease receivable

Primary government

The Isabella County Building Authority (included as part of the primary government) has entered into numerous contracts with the County and other agencies for the purposes of constructing buildings and the financing of the same by the Building Authority through the issuance of Building Authority bonds.

The agreements specify that the Building Authority enter into lease agreements for the buildings with the County. The County in turn leases the building to the ultimate user, if not a part of the County, and that lease is at a rate sufficient to retire the bonds and pay all other necessary and proper expenses of the Project. The future minimum lease payments to be received under each lease agreement are equal to the outstanding principal and interest on the bond issue.

The agreement specifies that when all the bonds have been retired, the Authority shall convey to the County all of its rights, title and interest in the project. In accordance with Financial Accounting Standards Board (FASB) Statement No. 13, the lease is accounted for as a sale of the building by the Building Authority as it constitutes a capital lease. For those leases with outside agencies, the aggregate future lease payments necessary for retirement of outstanding bond principal have been recorded as a Capitalized Lease Receivable. Deferred Revenue is shown on the balance sheet in the same amount as the Capitalized Lease Receivable as revenue that is not recognized until lease payments are received. There is no provision for any contingent rentals in the lease.

Component units

In accordance with the terms of an agreement between the Isabella County Board of Public Works and the Village of Shepherd, the County authorized the construction of a Sanitary Sewer/Storm Water Separation project and the financing of the same by the Board of Public Works through the issuance of a \$3,750,000 bond issue. Of the original issue, \$3,000,000 of the debt was defeased with the issuance of 1999 refunding Bonds. The April 1, 1999 bond issue of \$2,460,000 resulted in an economic gain, along with local contributions that reduced the amount of the debt obligation.

In accordance with the terms of an agreement between the Isabella County Board of Public Works and the City of Clare, the County authorized the construction of a Water and Sewer System improvement project and the financing of the same by the Board of Public Works through the issuance of a \$700,000 bond issue.

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In accordance with the terms of an agreement between the Isabella County Board of Public Works and Union Township, the County authorized the construction of a Wastewater Treatment Plant construction project and the financing of the same by the Board of Public Works through the issuance of a \$9,000,000 bond issue.

These agreements provide for the Board of Public Works to enter into lease agreements with the local units with rentals equal to the annual debt service requirements over the life of the bond issue. The local unit is responsible for the operation, maintenance and management of the system over the life of the lease. Upon final payment of the bond issue, ownership of the assets will revert to the local unit. Consequently, the leases are accounted for as capital leases in accordance with Financial Accounting Standards Board (FASB) Statement No. 13.

On this basis, the aggregate future lease payments necessary for the retirement of outstanding bond principal have been recorded as a Capitalized Lease Receivable. Deferred Revenue is shown on the Balance Sheet of the Shepherd Storm Sewer, Clare Water and Sewer, and Union Township Wastewater Treatment Debt Service Funds in the Board of Public Works Component Unit in the same amount as the Capitalized Lease Receivable as revenue that is not recognized until lease payments are received. There is no provision for any contingent rental contained in the lease. The future minimum lease payments to be received are equal to the outstanding principal and interest on the bond issue.

ISABELLA COUNTY, MICHIGAN

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D. Capital assets

Primary government

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,813,896 | \$ 113,047 | \$ - | \$ 1,926,943 |
| Construction in progress | <u>380,651</u> | <u>323,182</u> | <u>(355,390)</u> | <u>348,443</u> |
| Total capital assets not being depreciated | <u>2,194,547</u> | <u>436,229</u> | <u>(355,390)</u> | <u>2,275,386</u> |
| Capital assets being depreciated: | | | | |
| Building and improvements | 20,154,927 | 721,873 | - | 20,876,800 |
| Equipment | 4,032,374 | 747,904 | - | 4,780,278 |
| Vehicles | 748,656 | 160,600 | - | 909,256 |
| Other | <u>260,152</u> | <u>-</u> | <u>-</u> | <u>260,152</u> |
| Total capital assets being depreciated | <u>25,196,109</u> | <u>1,630,377</u> | <u>-</u> | <u>26,826,486</u> |
| Less accumulated depreciation | | | | |
| Building and improvements | (8,203,243) | (423,215) | - | (8,626,458) |
| Equipment | (2,406,932) | (414,612) | - | (2,821,544) |
| Vehicles | (550,179) | (81,415) | - | (631,594) |
| Other | <u>(198,539)</u> | <u>(10,118)</u> | <u>-</u> | <u>(208,657)</u> |
| Total accumulated depreciation | <u>(11,358,893)</u> | <u>(929,360)</u> | <u>-</u> | <u>(12,288,253)</u> |
| Total capital assets being depreciated, net | <u>13,837,216</u> | <u>701,017</u> | <u>-</u> | <u>14,538,233</u> |
| Governmental activities capital assets, net | <u>\$ 16,031,763</u> | <u>\$ 1,137,246</u> | <u>\$ (355,390)</u> | <u>\$ 16,813,619</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|-----------------------|---------------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 121,953 | \$ - | \$ - | \$ 121,953 |
| Construction in progress | <u>2,521,970</u> | <u>667,096</u> | <u>(3,189,066)</u> | <u>-</u> |
| Total capital assets not being depreciated | <u>2,643,923</u> | <u>667,096</u> | <u>(3,189,066)</u> | <u>121,953</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 9,666,151 | 3,207,623 | - | 12,873,774 |
| Equipment | 2,835,799 | 144,647 | - | 2,980,446 |
| Vehicles | <u>344,777</u> | <u>29,974</u> | <u>-</u> | <u>374,751</u> |
| Total capital assets being depreciated | <u>12,846,727</u> | <u>3,382,244</u> | <u>-</u> | <u>16,228,971</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (2,141,310) | (282,244) | - | (2,423,554) |
| Equipment | (1,905,022) | (177,037) | - | (2,082,059) |
| Vehicles | <u>(201,493)</u> | <u>(23,344)</u> | <u>-</u> | <u>(224,837)</u> |
| Total accumulated depreciation | <u>(4,247,825)</u> | <u>(482,625)</u> | <u>-</u> | <u>(4,730,450)</u> |
| Total capital assets being depreciated, net | <u>8,598,902</u> | <u>2,899,619</u> | <u>-</u> | <u>11,498,521</u> |
| Business-type activities capital assets, net | <u>\$ 11,242,825</u> | <u>\$ 3,566,715</u> | <u>\$ (3,189,066)</u> | <u>\$ 11,620,474</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

| | |
|------------------------|---------------|
| Legislative | \$ 3,677 |
| Judicial | 202,706 |
| General government | 251,570 |
| Public safety | 424,898 |
| Health and welfare | 30,313 |
| Culture and recreation | <u>16,196</u> |

Total depreciation expense – governmental activities **\$ 929,360**

Business-type activities:

| | |
|-----------------------|---------------|
| Medical care facility | \$ 388,715 |
| Building inspections | 3,570 |
| Recycling facility | 78,817 |
| Concessions | <u>11,523</u> |

Total depreciation expense – business-type activities **\$ 482,625**

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Component units

Road Commission

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|--------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 225,882 | \$ - | \$ - | \$ 225,882 |
| Land improvements | 126,167 | - | - | 126,167 |
| Land - infrastructure | <u>17,887,421</u> | <u>1,117,805</u> | <u>(1,121,177)</u> | <u>20,126,403</u> |
| Total capital assets not being depreciated | <u>18,239,470</u> | <u>1,117,805</u> | <u>(1,121,177)</u> | <u>20,478,452</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 739,570 | 5,622 | - | 745,192 |
| Equipment | 5,982,201 | 338,084 | (197,680) | 6,122,605 |
| Infrastructure - Bridges | 15,259,710 | 464,054 | (1,213,936) | 14,509,828 |
| Infrastructure - Roads | <u>50,086,604</u> | <u>4,001,518</u> | <u>(7,039,631)</u> | <u>47,048,491</u> |
| Total capital assets being depreciated | <u>72,068,085</u> | <u>4,809,278</u> | <u>(8,451,247)</u> | <u>68,426,116</u> |
| Less accumulated depreciation | | | | |
| Buildings | (390,372) | (18,080) | - | (408,452) |
| Equipment | (5,011,214) | (350,084) | 192,536 | (5,168,762) |
| Infrastructure - Bridges | (4,314,643) | (270,855) | 360,988 | (4,224,510) |
| Infrastructure - Roads | <u>(21,429,368)</u> | <u>(2,376,630)</u> | <u>5,868,137</u> | <u>(17,937,861)</u> |
| Total accumulated depreciation | <u>(31,145,597)</u> | <u>(3,015,649)</u> | <u>6,421,661</u> | <u>(27,739,585)</u> |
| Total capital assets being depreciated, net | <u>40,922,488</u> | <u>1,793,629</u> | <u>2,029,586</u> | <u>40,686,531</u> |
| Road Commission capital assets, net | <u>\$ 59,161,958</u> | <u>\$ 2,911,434</u> | <u>\$ 908,409</u> | <u>\$ 61,164,983</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Central Michigan District Health

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Capital assets being depreciated: | | | | |
| Building (capital lease) | \$ 2,323,766 | \$ - | \$ - | \$ 2,323,766 |
| Furniture and equipment | 187,383 | - | - | 187,383 |
| Buses and vehicles | <u>5,710</u> | <u>-</u> | <u>-</u> | <u>5,710</u> |
| Total capital assets being depreciated | 2,516,859 | - | - | 2,516,859 |
| Less accumulated depreciation | <u>(1,337,610)</u> | <u>(130,013)</u> | <u>-</u> | <u>(1,467,623)</u> |
| Central Michigan District Health capital assets, net | <u>\$ 1,179,249</u> | <u>\$ (130,013)</u> | <u>\$ -</u> | <u>\$ 1,049,236</u> |

Board of Public Works

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 16,000 | \$ - | \$ - | \$ 16,000 |
| Capital assets being depreciated: | | | | |
| Buildings | 12,856 | - | - | 12,856 |
| Equipment | 12,197 | - | - | 12,197 |
| Infrastructure - water supply | <u>216,425</u> | <u>-</u> | <u>-</u> | <u>216,425</u> |
| Total capital assets being depreciated | <u>241,478</u> | <u>-</u> | <u>-</u> | <u>241,478</u> |
| Less accumulated depreciation | | | | |
| Buildings | (12,856) | - | - | (12,856) |
| Equipment | (12,197) | - | - | (12,197) |
| Infrastructure - water supply | <u>(155,322)</u> | <u>(6,852)</u> | <u>-</u> | <u>(162,174)</u> |
| Total accumulated depreciation | <u>(180,375)</u> | <u>(6,852)</u> | <u>-</u> | <u>(187,227)</u> |
| Total capital assets being depreciated, net | <u>61,103</u> | <u>(6,852)</u> | <u>-</u> | <u>54,251</u> |
| Board of Public Works capital assets, net | <u>\$ 77,103</u> | <u>\$ (6,852)</u> | <u>\$ -</u> | <u>\$ 70,251</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Drainage Districts

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Construction in Progress | \$ - | \$ 437,204 | \$ - | \$ 437,204 |
| Capital assets being depreciated: | | | | |
| Infrastructure – Drains | 13,451,354 | 370,088 | - | 13,821,442 |
| Less accumulated depreciation | | | | |
| Infrastructure - Drains | <u>(2,217,634)</u> | <u>(301,560)</u> | <u>-</u> | <u>(2,519,194)</u> |
| Drainage Districts capital assets, net | <u>\$ 11,233,720</u> | <u>\$ 505,732</u> | <u>\$ -</u> | <u>\$ 11,739,452</u> |

Transportation Commission

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 54,004 | \$ - | \$ - | \$ 54,004 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 2,784,633 | - | - | 2,784,633 |
| Buses | 3,159,047 | 303,358 | - | 3,462,405 |
| Furniture and equipment | <u>908,734</u> | <u>73,407</u> | <u>-</u> | <u>982,141</u> |
| Total capital assets being depreciated | <u>6,852,414</u> | <u>376,765</u> | <u>-</u> | <u>7,229,179</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (635,279) | (139,232) | - | (774,511) |
| Buses | (1,515,779) | (324,993) | - | (1,840,772) |
| Furniture and equipment | <u>(552,286)</u> | <u>(154,468)</u> | <u>-</u> | <u>(706,754)</u> |
| Total accumulated depreciation | <u>(2,703,344)</u> | <u>(618,693)</u> | <u>-</u> | <u>(3,322,037)</u> |
| Total capital assets being depreciated, net | <u>4,149,070</u> | <u>(241,928)</u> | <u>-</u> | <u>3,907,142</u> |
| Transportation Commission capital assets, net | <u>\$ 4,203,074</u> | <u>\$ (241,928)</u> | <u>\$ -</u> | <u>\$ 3,961,146</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

E. Payables

Accounts payable and accrued expenses as of year end for the County's governmental and business-type activities in the aggregate, are as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|---------------------|---|--|
| Payables: | | |
| Accounts | \$ 2,381,271 | \$ 329,527 |
| Salaries payable | 333,200 | 166,470 |
| Accrued liabilities | 90,347 | 123,171 |
| Intergovernmental | <u>53,866</u> | <u>-</u> |
| Total payables | <u>\$ 2,858,684</u> | <u>\$ 619,168</u> |

F. Interfund receivables, payables and transfers

Interfund receivables and payables as of September 30, 2006, are as follows:

| Due to | Due From | | | | | | | Total |
|-----------------------------|-----------------|---------------------|------------------|-----------------------------|--------------------------|---------------------------|------------------------|---------------------|
| | General Fund | Tribal Contribution | Child Care | Nonmajor Governmental Funds | Delinquent Tax Revolving | Nonmajor Enterprise Funds | Internal Service Funds | |
| General Fund | \$ - | \$ 27,228 | \$ 65,576 | \$ 115,903 | \$ - | \$ 150,425 | \$ 161,138 | \$ 520,270 |
| Building Authority | | | | | | | | |
| Bonds | 23,076 | - | - | - | - | - | - | 23,076 |
| Nonmajor Governmental Funds | 19,838 | 480,269 | - | 58,999 | - | - | - | 559,106 |
| Nonmajor Enterprise Funds | 956 | 33,533 | - | - | 588 | - | - | 35,077 |
| Internal Service Fund | <u>-</u> | <u>-</u> | <u>-</u> | <u>893</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>893</u> |
| Total | <u>\$43,870</u> | <u>\$ 541,030</u> | <u>\$ 65,576</u> | <u>\$ 175,795</u> | <u>\$ 588</u> | <u>\$ 150,425</u> | <u>\$ 161,138</u> | <u>\$ 1,138,422</u> |

The amounts due from the Tribal Contributions Fund are to recognize the amounts held in the Tribal Contributions Fund that are to be used by various funds for operations. The amounts due to the General Fund from the various funds other than the Tribal Contributions Fund are short-term loans for cash flow. All remaining balances resulted from the time lag between the dates that (1) goods and services are provided or reimbursable expenditures occur and (2) transactions are recorded in the accounting system.

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Interfund transfers for the year ended September 30, 2006, consisted of the following amounts:

| | Transfers from: | | | | |
|-----------------------------|---------------------|-------------------------|-----------------------------|-------------------|---------------------|
| | General Fund | Revenue Sharing Reserve | Nonmajor Governmental Funds | Delinquent Tax | Total |
| Transfers to: | | | | | |
| General Fund | \$ - | \$ 1,112,857 | \$ 5,500 | \$ 175,000 | \$ 1,293,357 |
| Revenue Sharing Reserve | 2,501,754 | - | - | - | 2,501,754 |
| Child Care | 1,175,354 | - | 25,000 | - | 1,200,354 |
| Building Authority Bonds | 341,299 | - | - | - | 341,299 |
| Nonmajor Governmental Funds | 1,027,412 | - | - | 400,250 | 1,427,662 |
| Nonmajor Enterprise Funds | <u>145,846</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>145,846</u> |
| Total | <u>\$ 5,191,665</u> | <u>\$ 1,112,857</u> | <u>\$ 30,500</u> | <u>\$ 575,250</u> | <u>\$ 6,910,272</u> |

The transfers from the General Fund to all other funds were for the purposes of supporting operations that are not covered by other revenue sources. The transfers from the Delinquent Tax Fund to the General Fund are for the purpose of using the unrestricted income generated by the Delinquent Tax Fund to subsidize other operations. The transfer from the Revenue Sharing Reserve Fund to the General Fund is to transfer the allowable spending amount in compliance with Public Act 357 of 2004. The transfer from the General Fund to the Revenue Sharing Reserve Fund is to transfer the Revenue Sharing Reserve Fund's portion of the tax levy in compliance with Public Act 357 of 2004. The remaining transfers are to move funds for reimbursements of services and expenditures.

G. Leases

Central Michigan District Health Department leases an office facility under a long-term noncancelable operating lease agreement. The following is a schedule of future minimum rental payments required under this lease, as of September 30, 2006:

| <u>Year Ending</u> <u>September 30,</u> | <u>Amount</u> |
|--|-------------------|
| 2007 | \$ 79,390 |
| 2008 | 79,390 |
| 2009 | 79,390 |
| 2010 | 79,390 |
| 2011 | 79,390 |
| 2012-2016 | <u>317,560</u> |
| Total minimum lease-rental payments required | <u>\$ 714,510</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

The Department also leases office space in four other counties on a month-to-month basis. The Department is generally responsible for utilities, maintenance and repairs, and certain insurance coverage related to leased properties. Total lease and lease related costs attributable to operating and month-to-month leases for the year ended September 30, 2006 were \$268,114.

H. Long-term debt

Primary government

The following is a summary of the long-term debt transactions of the Primary Government for the year ended September 30, 2006.

| | Beginning Balance <u>10/1/05</u> | <u>Additions</u> | <u>Retirements</u> | Ending Balance <u>9/30/06</u> |
|---|--|-------------------|---------------------|-------------------------------------|
| Governmental activities: | | | | |
| Building authority bonds | \$ 5,785,000 | \$ - | \$ (320,000) | \$ 5,465,000 |
| Capital leases | 80,653 | - | (50,968) | 29,685 |
| Postclosure landfill costs | 1,146,641 | - | (69,056) | 1,077,585 |
| Vested employee benefits | <u>734,527</u> | <u>881,308</u> | <u>(796,560)</u> | <u>819,275</u> |
| Governmental activity long-term liabilities | <u>\$ 7,746,821</u> | <u>\$ 881,308</u> | <u>\$ 1,236,584</u> | <u>\$ 7,391,545</u> |
| Business-type activities: | | | | |
| Building authority bond | \$ 7,475,000 | \$ - | \$ (285,000) | \$ 7,190,000 |
| Capital lease | 3,518 | - | (2,298) | 1,220 |
| Less deferred issuance discount | (59,200) | - | 3,482 | (55,718) |
| Vested employee benefits | <u>332,881</u> | <u>362,341</u> | <u>(313,876)</u> | <u>381,346</u> |
| Business-type activity long-term liabilities | <u>\$ 7,752,199</u> | <u>\$ 362,341</u> | <u>\$ (597,692)</u> | <u>\$ 7,516,848</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

A description of the various obligations is summarized (by type of obligation) as follows:

| | <u>Date of Issue</u> | <u>Authorized Amount of Issue</u> | <u>Interest Rate</u> | <u>Date of Maturity</u> | <u>Outstanding Principal Balance</u> | <u>Due Within One Year</u> |
|--|--------------------------|---|--------------------------|-----------------------------|--|------------------------------------|
| Governmental Activities: | | | | | | |
| Building Authority Bonds: | | | | | | |
| General Obligation | | | | | | |
| Bond (District Health Building) - Series 1998 | 05/01/96 | \$ 2,135,000 | 5.60 | 05/01/02-16 | \$ 1,350,000 | \$ 105,000 |
| Building Authority | | | | | | |
| Bond (State Police Building) - Series 1998 | 05/18/98 | 1,200,000 | 4.50-5.00 | 01/01/02-19 | 915,000 | 50,000 |
| Building Authority | | | | | | |
| Bond (Courthouse Building) - Series 1999 | 07/01/99 | 4,050,000 | 4.00-5.25 | 11/01/01-19 | <u>3,200,000</u> | <u>175,000</u> |
| Total Building Authority Bonds | | | | | <u>5,465,000</u> | <u>330,000</u> |
| Capital Lease - Copiers | 03/01/03 | 187,026 | 8.1 | 04/27/03-07 | 26,633 | 26,633 |
| Capital Lease – Copiers | 10/1/04 | 4,672 | 8.1 | 10/22/05-09 | 3,052 | 945 |
| Postclosure Landfill Costs | | | | | 1,077,585 | 67,349 |
| Vested Employee Benefits | | | | | <u>819,275</u> | <u>800,000</u> |
| Total Governmental Activities | | | | | <u>\$ 7,391,545</u> | <u>\$1,224,927</u> |
| For the governmental activities, postclosure landfill costs and vested employee benefits are generally liquidated by the general fund. | | | | | | |
| Business-type Activities: | | | | | | |
| Building Authority | | | | | | |
| Bond (Medical Care Facility Building) - Series 2002 | 12/15/02 | \$ 8,000,000 | 3.00-4.60 % | 05/01/04-22 | \$ 7,134,282 | \$ 300,000 |
| Capital Lease - Copiers | 03/01/03 | 6,912 | 8.1 | 04/27/03-07 | 1,220 | 1,220 |
| Vested Employee Benefits | | | | | <u>381,346</u> | <u>15,000</u> |
| Total Business-type Activities | | | | | <u>7,516,848</u> | <u>316,220</u> |
| Total Primary Government | | | | | <u>\$14,908,393</u> | <u>\$1,541,147</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Annual Requirements to Amortize Debt

The annual requirements to pay future principal and interest on the general obligation bonds are as follows:

| <u>Year ending September 30,</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--------------------------------------|--------------------------------|--------------------|---------------------------------|--------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2007 | \$ 330,000 | \$ 276,625 | \$ 300,000 | \$ 295,610 |
| 2008 | 340,000 | 260,687 | 315,000 | 286,610 |
| 2009 | 370,000 | 243,465 | 335,000 | 276,373 |
| 2010 | 385,000 | 224,924 | 350,000 | 264,647 |
| 2011 | 390,000 | 205,339 | 370,000 | 251,522 |
| 2012-16 | 2,280,000 | 693,075 | 2,145,000 | 1,026,015 |
| 2017-21 | 1,370,000 | 136,250 | 2,740,000 | 528,813 |
| 2022 | <u>-</u> | <u>-</u> | <u>635,000</u> | <u>29,210</u> |
| | <u>\$5,465,000</u> | <u>\$2,040,365</u> | <u>\$7,190,000</u> | <u>\$2,958,800</u> |

The annual requirements to pay future principal and interest on the capital leases are as follows:

| <u>Year ending September 30,</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--------------------------------------|--------------------------------|-----------------|---------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2007 | \$ 27,578 | \$ 941 | \$ 1,220 | \$ 30 |
| 2008 | 1,047 | 169 | - | - |
| 2009 | <u>1,060</u> | <u>56</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 29,685</u> | <u>\$ 1,166</u> | <u>\$ 1,220</u> | <u>\$ 30</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Component units

Road Commission

The following is a summary of the long-term debt transactions of the Isabella County Road Commission for the year ended September 30, 2006.

| | Beginning Balance <u>10/1/05</u> | <u>Additions</u> | <u>Retirements</u> | Ending Balance <u>9/30/06</u> |
|---|--|-------------------|---------------------|-------------------------------------|
| Note payable | \$ - | \$ 180,903 | \$ (3,096) | \$ 177,807 |
| Michigan Department of Transportation Bond | 750,000 | - | (175,000) | 575,000 |
| Vested employee benefits | <u>201,095</u> | <u>-</u> | <u>(8,386)</u> | <u>192,709</u> |
| Totals | <u>\$ 951,095</u> | <u>\$ 180,903</u> | <u>\$ (186,482)</u> | <u>\$ 945,516</u> |

A description of the obligations of the Road Commission are summarized as follows:

Note Payable to Finance Company, secured by equipment

| <u>Date of Issue</u> | <u>Authorized Amount of Issue</u> | <u>Interest Rate</u> | <u>Date of Maturity</u> | <u>Outstanding Principal Balance</u> | <u>Due Within One Year</u> |
|--------------------------|---|--------------------------|-----------------------------|--|------------------------------------|
| June 2006 | \$ 180,903 | 5.475% | June 2011 | <u>\$ 177,807</u> | <u>\$ 14,546</u> |

**Michigan Department of Transportation (MDOT)
1999 Series Bond**

| <u>Date of Issue</u> | <u>Authorized Amount of Issue</u> | <u>Interest Rate</u> | <u>Date of Maturity</u> | <u>Outstanding Principal Balance</u> | <u>Due Within One Year</u> |
|--------------------------|---|--------------------------|-----------------------------|--|------------------------------------|
| 05/26/99 | \$ 1,725,000 | 4.0-4.7% | 05/01/01-09 | <u>\$ 575,000</u> | <u>\$ 175,000</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Annual Requirements to Amortize Debt

The annual requirements to pay future principal and interest on the note payable and transportation bonds are as follows:

| <u>Year ending September 30,</u> | <u>Principal</u> | <u>Interest</u> |
|---|-------------------------|------------------------|
| 2007 | \$ 189,546 | \$ 35,803 |
| 2008 | 215,343 | 27,044 |
| 2009 | 216,183 | 16,904 |
| 2010 | 17,069 | 6,618 |
| 2011 | <u>114,666</u> | <u>4,353</u> |
| | <u>\$ 752,807</u> | <u>\$ 90,722</u> |

Drainage Districts

The following is a summary of the long-term debt transactions of the Drainage Districts administered by the Isabella County Drain Commissioner for the year ended September 30, 2006.

| | <u>Beginning Balance 10/1/05</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance 9/30/06</u> |
|--|---|-------------------------|---------------------------|--|
| Bank notes payable | \$ 829,079 | \$ 386,328 | \$ (189,286) | \$ 1,026,121 |
| Hance Improvement Drain Bonds | - | - | - | - |
| Hance Main Branches Refunding Drain Bonds | 805,000 | - | (105,000) | 700,000 |
| Lamphere Drain Bonds | 65,000 | - | (65,000) | - |
| Paisley Drain Bonds | - | 560,000 | - | 560,000 |
| Little Salt Intercounty Drain Bonds | - | 310,050 | - | 310,050 |
| Salt River Drain Bonds | <u>775,000</u> | <u>-</u> | <u>(100,000)</u> | <u>675,000</u> |
| | <u>\$ 2,474,079</u> | <u>\$1,256,378</u> | <u>\$ (459,286)</u> | <u>\$ 3,271,171</u> |

Because the County Drain Commissioner is not the treasurer of the Little Salt Intercounty Drain Bonds, no proceeds were received for this debt. The additions shown are the Drainage District's portion of the outstanding debt at year-end.

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Bank Notes Payable -

The following is a schedule of Bank Notes Payable. These notes are used to finance construction activities for the individual drainage districts in Isabella County:

| | <u>Date of Issue</u> | <u>Authorized Amount of Issue</u> | <u>Interest Rate</u> | <u>Date of Maturity</u> | <u>Outstanding Principal Balance</u> | <u>Due Within One Year</u> |
|--------------------------------|--------------------------|---|--------------------------|-----------------------------|--|------------------------------------|
| Potter & Brodie #522 | 06/15/06 | \$ 300,000 | 4.90% | 05/01/07-13 | \$ 300,000 | \$ 42,858 |
| Beltnick #220 | 08/20/05 | 25,121 | 4.76 | 10/19/06 | 25,121 | 25,121 |
| Paisley #506 | 10/20/05 | 25,000 | 4.76 | 10/20/06 | 25,000 | 25,000 |
| Hutchinson #380 | 03/15/04 | 160,000 | 3.95 | 05/01/05-09 | 96,000 | 32,000 |
| Recker #530 | 07/25/02 | 730,000 | 3.78 | 07/15/03-12 | 430,000 | 75,000 |
| Wagner #627 | 08/15/01 | 300,000 | 4.95 | 05/01/02-11 | <u>150,000</u> | <u>30,000</u> |
| Total drain bank notes payable | | | | | <u>\$ 1,026,121</u> | <u>\$ 229,979</u> |

County Drain Bonds -

The following is a schedule of the County Drain Bonds by issue:

| | <u>Date of Issue</u> | <u>Authorized Amount of Issue</u> | <u>Interest Rate</u> | <u>Date of Maturity</u> | <u>Outstanding Principal Balance</u> | <u>Due Within One Year</u> |
|--|--------------------------|---|--------------------------|-----------------------------|--|------------------------------------|
| Hance Main Branches | 07/01/01 | 1,260,000 | 3.70-4.70 | 05/01/02-14 | \$ 700,000 | \$ 100,000 |
| Lamphere Drain Bonds | 05/01/96 | 610,000 | 5.15-5.40 | 05/01/02-06 | - | - |
| Paisley Drain Bonds | 08/07/06 | 560,000 | 4.70 | 07/01/07-16 | 560,000 | 56,000 |
| Little Salt Intercounty Drain Bonds | 07/21/06 | 310,050 | 6.40 | 06/01/06-16 | 310,050 | 29,250 |
| Salt River Drain Bonds | 06/27/02 | 1,075,000 | 3.00-4.10 | 04/01/03-12 | <u>675,000</u> | <u>100,000</u> |
| Total general obligation drain bonds | | | | | <u>\$ 2,245,050</u> | <u>\$ 285,250</u> |

These general obligation bonds were issued to defray the cost of maintenance and are

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

payable from special assessments against benefited property in these Drainage Districts.

Annual Requirements to Amortize Debt

The annual requirements to amortize all debt outstanding of the Drainage Districts as of September 30, 2006, are as follows:

| <u>Year ending September 30,</u> | <u>Bank Notes Payable</u> | | <u>Bonds Payable</u> | |
|---|----------------------------------|------------------------|-----------------------------|------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2007 | \$ 229,979 | \$ 42,216 | \$ 285,250 | \$ 94,383 |
| 2008 | 179,858 | 34,712 | 285,250 | 89,669 |
| 2009 | 174,858 | 26,955 | 290,250 | 77,742 |
| 2010 | 142,858 | 19,431 | 290,250 | 65,330 |
| 2011 | 142,858 | 13,169 | 290,250 | 52,643 |
| 2012-16 | <u>155,710</u> | <u>9,047</u> | <u>803,800</u> | <u>98,842</u> |
| | <u>\$1,026,121</u> | <u>\$ 145,530</u> | <u>\$2,245,050</u> | <u>\$ 478,609</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Board of Public Works -

The following is a summary of the long-term debt transactions of the Isabella County Board of Public Works for the year ended September 30, 2006.

| | Beginning Balance <u>10/1/05</u> | <u>Additions</u> | <u>Retirements</u> | Ending Balance <u>9/30/06</u> |
|---|--|------------------|---------------------|-------------------------------------|
| Shepherd Sanitary Sewer/Storm Water Separation Project Refunding Bonds, Series 1999 | \$ 1,720,000 | \$ - | \$ (180,000) | \$ 1,540,000 |
| City of Clare Water and Sewer System Improvement Bonds | 385,000 | - | (45,000) | 340,000 |
| Union Township Wastewater Treatment Project Bonds | 315,000 | - | (315,000) | - |
| Union Township Wastewater Treatment Refunding Bonds | <u>7,300,000</u> | <u>-</u> | <u>(50,000)</u> | <u>7,250,000</u> |
| | <u>\$9,720,000</u> | <u>\$ -</u> | <u>\$ (590,000)</u> | <u>\$ 9,130,000</u> |

The following is a description of the debt of the Board of Public Works:

| | <u>Date of Issue</u> | <u>Authorized Amount of Issue</u> | <u>Interest Rate</u> | <u>Date of Maturity</u> | <u>Outstanding Principal Balance</u> | <u>Due Within One Year</u> |
|--|--------------------------|---|--------------------------|-----------------------------|--|------------------------------------|
| Shepherd Sanitary Sewer/ Storm Water Separation Project Refunding Bonds Series 1999 | 04/01/99 | \$ 2,460,000 | 4.20-4.60% | 03/01/02-14 | \$ 1,540,000 | \$ 190,000 |
| City of Clare Water and Sewer System Improvement Project Bonds | 04/01/98 | 700,000 | 4.20-5.10 | 10/01/01-12 | 340,000 | - |
| Union Township Wastewater Treatment Project Refunding Bonds | 07/01/01 | 7,605,000 | 4.00-5.10 | 10/01/01-21 | <u>7,250,000</u> | <u>-</u> |
| Total Board of Public Works bonds | | | | | <u>\$ 9,130,000</u> | <u>\$ 190,000</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

The principal due October 1, 2006, on City of Clare Water and Sewer System Bonds and Union Township Wastewater Treatment Project Bonds were paid before the end of the fiscal year; therefore, no portion of the outstanding balance is due within one year.

Annual Requirements to Amortize Debt -

The annual requirements to amortize all debt outstanding of the Board of Public Works as of September 30, 2006, are as follows:

| <u>Year ending September 30,</u> | <u>Principal</u> | <u>Interest</u> |
|---|-------------------------|------------------------|
| 2007 | \$ 190,000 | \$ 63,335 |
| 2008 | 625,000 | 407,449 |
| 2009 | 640,000 | 379,726 |
| 2010 | 660,000 | 350,673 |
| 2011 | 680,000 | 320,111 |
| 2012-16 | 3,140,000 | 1,131,594 |
| 2017-21 | 2,945,000 | 441,313 |
| 2022 | <u>250,000</u> | <u>6,375</u> |
| | <u>\$9,130,000</u> | <u>\$3,100,576</u> |

The following is a summary of the long-term debt transactions of the remaining component units for the year ended September 30, 2006.

| | <u>Beginning Balance 10/1/05</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance 9/30/06</u> | <u>Due Within One Year</u> |
|----------------------------------|---|-------------------------|---------------------------|--|---|
| Central Michigan District Health | | | | | |
| Vested employee benefits | \$ 570,439 | \$ 10,047 | \$ - | \$ 580,486 | \$ 294,031 |
| Capital leases payable | <u>1,488,431</u> | <u>-</u> | <u>(150,523)</u> | <u>1,337,908</u> | <u>132,928</u> |
| | <u>\$ 2,058,870</u> | <u>\$ 10,047</u> | <u>\$ (150,523)</u> | <u>\$ 1,918,394</u> | <u>\$ 426,959</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

The capital lease payable for the Central Michigan District Health includes a balance of \$1,012,508, which is related to the lease of the district health building from the Isabella County Building Authority. Due to the capital nature of the agreement, Central Michigan District Health includes a capital asset and the related long-term debt, which is the same as the capital lease receivable and bond payable reflected in the primary government. The debt service requirements related to the capital lease are reflected in the Primary Government section of the long-term debt note.

| | <u>Beginning Balance 10/1/05</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance 9/30/06</u> | <u>Due Within One Year</u> |
|--|--|------------------|--------------------|---------------------------------------|------------------------------------|
| Transportation Commission Infrastructure Loan | \$ 594,375 | \$ - | \$ (105,027) | \$ 489,348 | \$ 97,633 |

The proceeds from the infrastructure loan were used to finance the construction of a new building facility. Repayment provisions call for interest at 4% and the payment is due in twelve annual installments payable April 17 each year.

The annual requirements, as of September 30, 2006, to amortize the debt associated with the Central Michigan District Health Department (except vested employee benefits payable of \$580,486) including interest payments of \$450,750, and the Transportation Commission, including interest payments of \$57,223, are as follows:

| <u>Year</u> | <u>Central Michigan District Health</u> | <u>Transportation Commission</u> |
|------------------|---|--------------------------------------|
| 2007 | \$ 219,770 | \$ 117,207 |
| 2008 | 219,033 | 117,207 |
| 2009 | 218,015 | 117,207 |
| 2010 | 216,702 | 117,207 |
| 2011 | 215,090 | 77,743 |
| 2012-2016 | <u>700,048</u> | <u>-</u> |
| | 1,788,658 | 546,571 |
| Less: interest | <u>(450,750)</u> | <u>(57,223)</u> |
| Minimum payments | <u>\$ 1,337,908</u> | <u>\$ 489,348</u> |

ISABELLA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

I. Fund equity

Restricted net assets/reserved fund balances

Fund balance has been reserved and net assets have been restricted in various funds to indicate the portion of fund balances and net assets not available but reserved or restricted for a specific purpose. The following is a summary of reserved fund balances and restricted net assets for all County funds at September 30, 2006:

Primary Government

| <u>Fund Type/Fund</u> | <u>Description</u> | <u>Amount</u> |
|-----------------------|----------------------|------------------|
| General Fund | Inventory | \$ 16,682 |
| | Prepaid expenditures | <u>7,229</u> |
| Total General Fund | | <u>\$ 23,911</u> |

Special Revenue Funds

Major Fund:

| | | |
|------------|----------------------|------------------|
| Child Care | Prepaid expenditures | <u>\$ 49,330</u> |
|------------|----------------------|------------------|

Nonmajor Funds:

| | | |
|----------------------|--|-----------|
| Parks and Recreation | Donor-restricted Contributions - Special Projects | \$ 42,398 |
| | Prepaid expenditures | 330 |

| | | |
|---------------------|----------------------|-----|
| Friend of the Court | Prepaid expenditures | 132 |
|---------------------|----------------------|-----|

| | | |
|------------------------|---|-------|
| Community Alternatives | Donor-restricted Contributions - Juvenile Garden Program | 2,030 |
|------------------------|---|-------|

| | | |
|---------------------|----------------------|--------|
| Commission of Aging | Inventory | 11,180 |
| | Prepaid expenditures | 525 |

| | | |
|-------|-----------------------|----------------|
| E-911 | Equipment replacement | <u>140,560</u> |
|-------|-----------------------|----------------|

| | | |
|-----------------------------|--|-------------------|
| Total Special Revenue Funds | | <u>\$ 197,155</u> |
|-----------------------------|--|-------------------|

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

| <u>Fund Type/Fund</u> | <u>Description</u> | <u>Amount</u> |
|---|-----------------------|---------------------|
| Enterprise Funds | | |
| Medical Care Facility | Non Expendable | \$ 55,226 |
| | Expendable | 2,151,519 |
| Recycling | Equipment replacement | 375,660 |
| Concessions | Equipment replacement | <u>74,847</u> |
| Total Enterprise Funds | | <u>\$ 2,657,252</u> |
| Component Units | | |
| Drainage Districts - | | |
| County Drain | Debt retirement | \$ 249,798 |
| Paisley | Debt retirement | 9 |
| Hance Phase II | Debt retirement | 295,253 |
| Salt River | Debt retirement | <u>236,053</u> |
| Total Drainage Districts | | <u>781,113</u> |
| Board of Public Works - | | |
| Clare Water & Sewer | Debt retirement | \$ 175 |
| Shepherd Storm Sewer | | |
| Separation Construction | Capital projects | 11,475 |
| Clare Water & Sewer | | |
| System Construction | Capital projects | <u>21,030</u> |
| Total Board of Public Works | | <u>32,680</u> |
| Total Restricted Net Assets - Component Units | | <u>\$ 813,793</u> |

ISABELLA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Designated fund balances

The various governing boards of the County have the power to designate, or set aside, all or a portion of unreserved Fund Balances for specified purposes. The following is a summary of Board-Designated Fund Balances for all County funds at September 30, 2005:

| <u>Fund Type/Fund</u> | <u>Description</u> | <u>Amount</u> |
|-----------------------|--------------------------|---------------------|
| General Fund | Working Capital | \$ 1,000,000 |
| | Vested Employee Benefits | 594,414 |
| | Central Dispatch Capital | 6,143 |
| | Road Graveling Program | 122,213 |
| | Day Care Capital | 3,448 |
| | District Health Capital | (3,668) |
| | Animal Control | 34,607 |
| | Claims Liability | 148,205 |
| | Link Michigan | <u>3,063</u> |
| | Total - General Fund | <u>\$ 1,908,425</u> |

Deficit net assets

At September 30, 2006, an unrestricted deficit of \$96,255 existed in the Building Inspection Fund. The County continues to review the fee structure of the Building Inspection Fund and has changed the way that indirect costs will be charged to the fund to help eliminate this fund deficit.

IV. Other information

A. Risk management

GENERAL AND AUTO LIABILITY

Isabella County is exposed to various risks of loss related to general and auto liability, motor vehicle physical damage, and property. The Primary Government participates in a public entity risk pool administered by the Michigan Municipal Risk Management Authority. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

The Authority is a municipal self-insurance entity operating pursuant to State of Michigan Public Act 138 of 1982. This law allows local governmental units to provide joint funding for risk management and self-insurance purposes by participating in a public entity risk pool. The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund. In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements. If for any reason the Authority's resources available to pay losses are depleted, the participating member is responsible for any excess losses. Under most circumstances the County's maximum loss per occurrence is limited as follows:

Primary Government:

| <u>Type of Risk</u> | <u>Maximum Retention Per Occurrence</u> |
|-------------------------------|---|
| General and auto liability | \$ 75,000 |
| Motor vehicle physical damage | 15,000 per vehicle 30,000 per occurrence |
| Property and crime | 10% of the next \$100,000 of loss |

When a claim is incurred and/or paid, the member's loss contribution account is charged according to the individual member's actual loss experience.

Michigan Municipal Risk Management Authority provides the following coverages on behalf of the County Primary Government:

| <u>Type of Risk</u> | <u>Limits of Coverage (including retention) Per Occurrence</u> |
|--------------------------------|--|
| General liability | \$ 15,000,000 |
| Vehicle physical damage | 1,500,000 |
| Judicial tenure defense | 100,000 |
| Building and personal property | 21,197,322 |

ISABELLA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

At September 30, 2006, the County (Primary Government) had funds on deposit with the Authority of \$168,427 and an estimated liability for reported claims and legal expenses of \$20,223.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include a provision for claims that have been incurred but not reported (IBNR's). Claims liabilities are estimated based on actual claims filed with MMRMA subsequent to year end. The provision is based on historical trends.

Changes in the balances of claims liabilities during the current year and the prior year are as follows:

| | <u>2006</u> | <u>2005</u> |
|--|------------------|------------------|
| Unpaid claims | \$ 59,932 | \$ 1,146 |
| Incurred claims (including change in IBNR) | (25,150) | 88,069 |
| Claims paid | <u>(14,559)</u> | <u>(29,283)</u> |
| Unpaid claims, end of year | <u>\$ 20,223</u> | <u>\$ 59,932</u> |

Component Units:

Isabella County Transportation Commission

The Transportation Commission has purchased commercial insurance for its general liability, vehicle physical damage, and property and crime insurance.

Isabella County Road Commission

The Road Commission was unable to obtain general liability and workers' compensation insurance at a cost it considered to be economically justifiable. The Road Commission joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its insurance coverages. The agreement provides that the pool will be self-sustaining through members premiums and will reinsure through commercial companies for claims in excess of \$1,000 for each insured event. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining.

ISABELLA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

EMPLOYEE HEALTH BENEFITS

The County has established an employee health benefits Self-Insurance Plan which is accounted for in an Internal Service Fund. Employee groups of the primary government, including the Medical Care Facility as a separate unit, the Road Commission, Central Michigan District Health, and Isabella County Transportation Commission, participate in the Self-Insurance Plan. The Plan is administered under contractual agreement with Blue Cross and Blue Shield of Michigan (BCBSM) as third-party administrator.

Under the co-insurance agreement provided by Blue Cross and Blue Shield of Michigan, the County is responsible for claims for major medical expenses up to an agreed-upon ceiling, but is insured against further loss by BCBSM. In order to provide for the co-insurance, the County pays a “stop-loss” premium.

Certain benefits (e.g., dental and vision) are not covered by the co-insurance policy. Prior to 1997, the Fund was insured against losses greater than \$100,000 per occurrence. There is no coverage for aggregate losses under the current agreement. In the current year, the stop-loss coverage was reduced to \$40,000 per occurrence. The co-insurance arrangements will be renegotiated annually with Blue Cross and Blue Shield of Michigan.

The Self-Insurance Fund is responsible for collecting interfund premiums from the participating funds and departments and for paying claim settlements, administrative fees, and “stop-loss” co-insurance premiums.

Interfund premiums are treated as quasi-external transactions, meaning that interfund premiums are recognized as expenditures or expenses in the contributing funds and interfund revenue is recognized in the Self-Insurance Fund as earned.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include a provision for claims that have been incurred but not reported (IBNRs). The provision is based upon historical trends. Claims liabilities are estimated based on actual claims filed subsequent to year end.

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Changes in the balance of claim liabilities during the current year and the prior year are as follows:

| | <u>2006</u> | <u>2005</u> |
|----------------------------------|--------------------|--------------------|
| Unpaid Claims, beginning of year | \$ 65,000 | \$ 65,387 |
| Incurred Claims (including IBNR) | 2,727,745 | 4,025,645 |
| Claims Paid | <u>(2,727,745)</u> | <u>(4,026,032)</u> |
| Unpaid Claims | <u>\$ 65,000</u> | <u>\$ 65,000</u> |

B. Employee pension plans

Defined benefit pension plan

Plan Description

Isabella County participates in the Michigan Municipal Employees Retirement System (MERS); an agent multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates and is administered under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

The County Proper and Medical Care Facility participate jointly in the system as divisions within one group.

Funding Policy

The County is required to contribute at an actuarially determined rate. The computed employer contribution rate for 2006 ranged from 8.90% to 22.51%. County employees are not required to make contributions to the plan. The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners, depending on the MERS contribution program adopted by the County.

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Annual Pension Costs

For the year ended September 30, 2006, the County's annual pension cost of \$880,037 for MERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 4.16% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined using techniques on a basis of evaluation method that assumes the funds earn the expected rate of return (8%) and includes as an adjustment to reflect fair value. Unfunded actuarial accrued liabilities are amortized as a level percent of payroll over a period of 30 years on an open basis. The latest actuarial valuation was as of December 31, 2005.

Three-Year Trend Information

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contribution</u> | <u>Net Pension Obligation</u> |
|-------------------------------|--|---|-----------------------------------|
| September 30, 2004 | \$ 844,118 | 100 % | - |
| September 30, 2005 | 904,698 | 100 | - |
| September 30, 2006 | 880,037 | 100 | - |

Schedule of Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL) Entry Age</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|---|--|--|------------------------------------|-------------------------|----------------------------|--|
| 2003 | \$ 21,239,006 | \$ 27,978,847 | \$6,739,841 | 76% | \$ 9,427,209 | 71% |
| 2004 | 22,867,066 | 30,345,949 | 7,478,883 | 75 | 9,498,577 | 79 |
| 2005 | 24,476,073 | 31,693,331 | 7,217,258 | 77 | 9,013,614 | 80 |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

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Component Unit Plans

The Isabella County Road Commission and Central Michigan District Health Department have separate retirement plans. Separate accounts are maintained by MERS for each of the component units identified above. Details applicable to the Road Commission and District Health Department pension plans are available in their separately issued financial statements. The actuarially determined contribution requirements have been met.

Defined contribution pension plan

Plan Description

The Isabella County Employees Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the County and administered by an outside third-party administrator. All County employees hired after July 2000, with the exception of certain bargaining units, are required to participate in the Plan. As the union contracts of the non-participating bargaining units are renegotiated, new employees of these units are added to the Plan. All other County employees that are not vested in the County's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan. Employees vest in the County's contributions completely after five years.

At September 30, 2006, there were 25 plan members. Plan members are not required to contribute to the Plan, however, employees may contribute up to 3% of their annual salary. The County is required to contribute 7% of the employees' annual salary. The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners.

Employer contributions to the Plan for the year ended September 30, 2006 amounted to \$87,074 and employee contributions were \$26,305.

A stand-alone pension plan report has not been issued for the defined contribution plan.

C. Contingencies

Sick Pay Benefits

Unlike Vacation Benefits Payable and Sick Days for certain employee categories, accumulated Sick Days for employees of the County Sheriff's and Central Dispatch Departments are considered a contingent liability because they are payable only upon death or retirement and not upon termination. The estimated value of this contingent liability likely to be ultimately payable cannot be determined.

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Third Party Payers

Third Party Reimbursements for the component units involved in the health care areas (Central Michigan District Health Department and Isabella County Medical Care Facility) are subject to audit by the Medicare and Medicaid Programs. Allowances for Contractual Adjustments have been provided in the financial statements but application of specific regulations is subject to interpretation and, in some cases, may result in additional payments.

Grants

The County receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at September 30, 2006.

Litigation

Isabella County and its component units are subject to various legal proceedings arising in the course of providing public services to County residents. The County is presently a defendant in several cases. However, in the opinion of management and legal counsel, the County is sufficiently covered by its liability insurance in all of these matters.

D. Postclosure landfill costs

The County owns a solid waste landfill located in Deerfield Township, Isabella County, Michigan. The County stopped accepting waste at the site on June 15, 1987, and completed the capping of the site on July 21, 1989.

Since that time, postclosure monitoring of the site by the County and the Michigan Department of Natural Resources has identified ground water contamination in excess of state and federal laws and regulations. A Consent Judgment, initiated by the State Attorney General and Michigan Department of Natural Resources and its director established the requirements the County had to meet to bring the County back into compliance.

ISABELLA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

As part of this consent judgment, the County had to implement their remedial action plan previously submitted and approved by the Michigan Department of Natural Resources. The remedial action plan called for the construction of purge wells and piping and also, construction of an air stripping facility which was completed during 1996. Air stripping involves the mass transfer of the contaminants from solution to a gas, thereby removing the contaminants from the groundwater. This is accomplished by pumping water through a packed column which has a counter current flow of air.

The County is required to perform certain maintenance and monitoring functions as stipulated in the consent judgment for a minimum of thirty years from October 23, 1992, the date of DNR approval of the County remedial action plan. It is anticipated that the purge wells and air stripping facility will have to be operated over this thirty year period.

For the year ended September 30, 2006, the County incurred postclosure care expenditures of \$69,056.

The landfill postclosure care liability as reported in Long-Term Debt at September 30, 2006, is \$1,077,585.

All amounts recognized are based on the estimated cost to perform postclosure care at September 30, 2006. Actual costs may be higher due to inflation, changes in technology or applicable laws and regulations. The amount recognized is based on estimates developed by solid waste management engineering consultants used by the County to develop the County remedial action plan. These estimates are considered sufficient and reasonable by Management. The postclosure care costs are to be budgeted within the General Fund on an annual basis. The County currently is not funding this annual estimated cost of \$65,464 to operate the purge wells and air stripping facility and perform the necessary discharge sampling and groundwater monitoring.

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

E. Restatements

Adjustments were made in the Building Inspections, Recycling and PA 123 Enterprise Funds to record liabilities for vested benefits previously reported as a governmental activities liability. In addition an adjustment was made in the Building Inspections Fund to include capital assets previously purchased by this department. The adjustment had the following effect on the beginning net assets:

| | Building Inspections Fund | Recycling Fund | PA 123 Fund |
|--|---------------------------------|---------------------|-------------------|
| Beginning net assets (deficit), as previously reported | \$ (67,490) | \$ 1,533,979 | \$ 516,399 |
| Adjustment for vested benefits liability | (19,778) | (4,504) | (3,836) |
| Adjustment for capital assets | <u>9,050</u> | <u>-</u> | <u>-</u> |
| Beginning net assets (deficit), as restated | <u>\$ (78,218)</u> | <u>\$ 1,529,475</u> | <u>\$ 512,563</u> |

The enterprise funds' prior period adjustments also had an effect on beginning of the year net assets of the business-type activities. The error has been corrected and had the following effect on the beginning net assets:

| | |
|--|----------------------|
| Beginning net assets, as previously reported | \$ 12,920,923 |
| Adjustment for vested benefits | (28,118) |
| Adjustment for capital asset | <u>9,050</u> |
| Beginning net assets, as restated | <u>\$ 12,901,855</u> |

Adjustments were made to the net assets of the governmental activities for the aforementioned vested benefits and capital assets errors. In addition, the landfill postclosure liability was understated and property taxes receivable were improperly reported as unearned revenue. The adjustments had the following effect on the beginning net assets:

| | |
|---|----------------------|
| Beginning net assets, as previously reported | \$ 17,769,117 |
| Adjustment for vested benefits | 28,118 |
| Adjustment for capital assets | (9,050) |
| Adjustment for landfill postclosure liability | (134,931) |
| Adjustment for property taxes | <u>296,603</u> |
| Beginning fund balance, as restated | <u>\$ 17,949,857</u> |

ISABELLA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Adjustments were made in the Hance Improvement Drain and Potter & Brodie Drainage District funds to write off negative and uncollectible special assessments receivable balances. The error has been corrected and had the following effect on the beginning fund balances and the Drainage Districts net assets:

| | Hance Improvement Drain | Potter & Brodie | Drainage Districts |
|---|-------------------------------|--------------------|-----------------------|
| Beginning fund balance/net assets, as previously reported | \$ 336,038 | \$ 1,885 | \$13,530,611 |
| Adjustment for vested benefits liability | <u>140</u> | <u>(1,885)</u> | <u>(1,745)</u> |
| Beginning fund balances/net assets, as restated | <u>\$ 336,178</u> | <u>\$ -</u> | <u>\$13,528,866</u> |

SUPPLEMENTARY FINANCIAL INFORMATION

ISABELLA COUNTY, MICHIGAN
MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is used to account for all financial transactions not properly accounted for in another fund. The transactions relating to the general governmental activities of the County, which are financed by property tax levies, by distribution of State revenues, and by revenue from various activities and services, are recorded in this fund. The majority of current operating expenditures of the County, other than proprietary fund activities, are financed through revenue received by the General Fund.

DEBT SERVICE FUND

The Building Authority Bonds Debt Service Fund is used to account for the payment of interest and principal on long-term bonded debt other than bonds recognized in proprietary funds.

The County has created a combined Debt Service Fund for the following bonds:

The Mental Health Building \$1,230,000 bond issue, dated December 1, 1993, used to partially defease the 1986 bond issue.

The District Health Building Authority \$2,135,000 bond issue dated May 1, 1996.

The State Police Building Authority \$1,200,000 bond issue dated May 18, 1998.

The Courthouse Building Authority \$4,050,000 bond issue dated July 12, 1999.

**ISABELLA COUNTY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|--|----------------------------|---------------------------|-------------------|------------------------------------|
| TAXES | | | | |
| Property taxes | \$ 8,052,000 | \$ 10,553,754 | \$ 10,982,477 | \$ 428,723 |
| Payment in lieu of taxes | 76,785 | 76,785 | 97,626 | 20,841 |
| Trailer park taxes | 5,628 | 5,628 | 5,726 | 98 |
| TOTAL TAXES | 8,134,413 | 10,636,167 | 11,085,829 | 449,662 |
| LICENSES AND PERMITS | | | | |
| County clerk | 11,000 | 11,000 | 9,155 | (1,845) |
| Resource management | 108,013 | 108,013 | 126,571 | 18,558 |
| Zoning | 14,700 | 14,700 | 7,195 | (7,505) |
| Transient merchants | 25 | 25 | 75 | 50 |
| Waste hauler licenses | 1,650 | 1,650 | 1,675 | 25 |
| Dog licenses | 45,000 | 45,000 | 46,993 | 1,993 |
| Marriage licenses | 4,000 | 4,000 | 5,070 | 1,070 |
| TOTAL LICENSES AND PERMITS | 184,388 | 184,388 | 196,734 | 12,346 |
| INTERGOVERNMENTAL - FEDERAL | | | | |
| Emergency management | 23,583 | 23,583 | 19,356 | (4,227) |
| Prosecuting attorney co-op reimbursement | 20,000 | 20,000 | 23,360 | 3,360 |
| BAYANET | 26,810 | 26,810 | 17,195 | (9,615) |
| Friend of the court incentive | 60,000 | 60,000 | 83,547 | 23,547 |
| FEMA / Homeland security grants | - | 286,139 | 627,275 | 341,136 |
| Emergency planning committee | - | - | 781 | 781 |
| Drug court | - | - | 2,210 | 2,210 |
| Traffic enforcement - federal | - | - | 7,153 | 7,153 |
| TOTAL INTERGOVERNMENTAL - FEDERAL | 130,393 | 416,532 | 780,877 | 364,345 |
| INTERGOVERNMENTAL - STATE | | | | |
| Probate judge salary | 103,500 | 103,500 | 190,725 | 87,225 |
| Drug case information grant | - | - | 2,066 | 2,066 |
| Judicial salary standardization payments | 135,000 | 135,000 | 94,195 | (40,805) |
| Prosecuting attorney co-op reimbursement | 11,000 | 11,000 | 12,034 | 1,034 |
| County juvenile officer | - | - | 27,317 | 27,317 |
| State court equity fund | 330,000 | 330,000 | 335,001 | 5,001 |
| Michigan justice training act | 6,000 | 6,000 | 6,180 | 180 |
| Drunk driving caseload | - | - | 22,818 | 22,818 |
| Marine safety program | 6,000 | 6,000 | 17,006 | 11,006 |
| Prosecuting attorney food stamp patrol | 16,500 | 16,500 | 15,100 | (1,400) |
| Road patrol | 102,775 | 102,775 | 140,014 | 37,239 |
| Detainer inmate | 18,674 | 18,674 | 17,789 | (885) |

(Continued)

**ISABELLA COUNTY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|--|----------------------------|---------------------------|------------------|------------------------------------|
| INTERGOVERNMENTAL - STATE (CONTINUED) | | | | |
| Conveying convicts | \$ 3,713 | \$ 3,713 | \$ 4,094 | \$ 381 |
| SCAO drug grant | 80,000 | 80,000 | 37,215 | (42,785) |
| OWI grant | - | - | 25,118 | 25,118 |
| Remonumentation grant | 41,667 | 100,067 | 75,473 | (24,594) |
| State shared revenue | 53,264 | 53,264 | - | (53,264) |
| Convention facilities taxes | 269,171 | 301,671 | 334,130 | 32,459 |
| Cigarette taxes | 36,850 | 36,850 | 37,415 | 565 |
| Liquor license | 9,000 | 9,000 | 9,095 | 95 |
| Victims' rights - prosecuting attorney | 53,200 | 53,200 | 53,200 | - |
| TOTAL INTERGOVERNMENTAL - STATE | 1,276,314 | 1,367,214 | 1,455,985 | 88,771 |
| INTERGOVERNMENTAL - LOCAL | | | | |
| B.A.Y.A.N.E.T. - City of Saginaw | 15,000 | 15,000 | 17,195 | 2,195 |
| Remonumentation - City of Mt. Pleasant | 8,500 | 8,500 | 3,500 | (5,000) |
| Traffic enforcement - City of Mt. Pleasant | 12,000 | 12,000 | 30,697 | 18,697 |
| Remonumentation - Tribal contribution | 120,833 | 120,833 | 10,000 | (110,833) |
| TOTAL INTERGOVERNMENTAL - LOCAL | 156,333 | 156,333 | 61,392 | (94,941) |
| CHARGES FOR SERVICES | | | | |
| Animal shelter services | 11,400 | 11,400 | 9,239 | (2,161) |
| Circuit Court costs | 223,139 | 223,139 | 220,500 | (2,639) |
| Circuit Court services | 51,399 | 51,399 | 34,094 | (17,305) |
| Circuit Court attorney fees | 48,982 | 48,982 | 40,990 | (7,992) |
| County clerk services | 96,452 | 96,452 | 136,495 | 40,043 |
| Voter registration | 2,000 | 2,000 | 581 | (1,419) |
| Prosecuting attorney services | 4,200 | 4,200 | 6,400 | 2,200 |
| P.A. services - FIA contract reimbursement | 10,000 | 10,000 | 6,868 | (3,132) |
| District Court costs | 1,500,000 | 1,500,000 | 1,300,429 | (199,571) |
| District Court fees | 136,800 | 136,800 | 145,950 | 9,150 |
| Drug court fees | 2,500 | 2,500 | 6,125 | 3,625 |
| Friend of the Court supervisory fees | 43,000 | 43,000 | 44,133 | 1,133 |
| Juvenile Court attorney fees | 23,000 | 23,000 | 24,384 | 1,384 |
| Probate Court services | 20,500 | 20,500 | 22,264 | 1,764 |
| SSI income | 1,400 | 1,400 | 18,400 | 17,000 |
| Register of Deeds services | 295,000 | 295,000 | 235,877 | (59,123) |
| Remonumentation | 800 | 800 | 735 | (65) |
| Real estate transfer taxes | 159,000 | 159,000 | 243,278 | 84,278 |
| Sheriff services | 20,247 | 20,247 | 26,060 | 5,813 |
| Civil process - sheriff | 31,000 | 31,000 | 31,801 | 801 |

(Continued)

**ISABELLA COUNTY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|--|----------------------------|---------------------------|----------------------|------------------------------------|
| CHARGES FOR SERVICES (CONTINUED) | | | | |
| Treasurer services | \$ 18,000 | \$ 18,000 | \$ 41,860 | \$ 23,860 |
| Tax roll | 23,550 | 23,550 | 2,085 | (21,465) |
| Equalization department services | 700 | 700 | 1,605 | 905 |
| Data processing | - | - | 244 | 244 |
| Election processing | 1,500 | 1,500 | 1,209 | (291) |
| TOTAL CHARGES FOR SERVICES | 2,724,569 | 2,724,569 | 2,601,606 | (122,963) |
| FINES AND FORFEITS | | | | |
| Ordinance fines | 404,000 | 407,564 | 258,513 | (149,051) |
| Bond forfeitures | 45,231 | 45,231 | 35,260 | (9,971) |
| Flexible benefits plan and other forfeitures | 6,000 | 6,000 | 13,500 | 7,500 |
| TOTAL FINES AND FORFEITS | 455,231 | 458,795 | 307,273 | (151,522) |
| INTEREST AND RENT | | | | |
| Interest earnings | 150,000 | 150,000 | 308,259 | 158,259 |
| Rentals - | | | | |
| Building Authority rentals | 306,969 | 306,969 | 308,024 | 1,055 |
| Multipurpose center | 20,000 | 20,000 | 33,104 | 13,104 |
| Inmate housing - | | | | |
| Municipalities | 900,000 | 900,000 | 971,116 | 71,116 |
| Department of Corrections | 70,000 | 70,000 | 86,608 | 16,608 |
| Room and board - work release | 22,000 | 22,000 | 30,795 | 8,795 |
| Local incarceration fee | 142,000 | 142,000 | 172,701 | 30,701 |
| Medical reimbursement | 84,746 | 84,746 | 86,811 | 2,065 |
| Pay phone commissions - inmates | 180,000 | 180,000 | 112,014 | (67,986) |
| TOTAL INTEREST AND RENT | 1,875,715 | 1,875,715 | 2,109,432 | 233,717 |
| OTHER | | | | |
| Animal shelter adoption | 10,000 | 10,000 | 18,291 | 8,291 |
| Miscellaneous | 3,500 | 15,437 | 202,463 | 187,026 |
| TOTAL OTHER | 13,500 | 25,437 | 220,754 | 195,317 |
| TOTAL REVENUES | \$ 14,950,856 | \$ 17,845,150 | \$ 18,819,882 | \$ 974,732 |

**ISABELLA COUNTY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|--|----------------------------|---------------------------|------------------|------------------------------------|
| LEGISLATIVE | | | | |
| Board of Commissioners | \$ 122,944 | \$ 122,944 | \$ 162,409 | \$ 39,465 |
| JUDICIAL | | | | |
| Trial Court | 2,599,086 | 2,602,650 | 2,568,212 | (34,438) |
| Adult Drug Court | 94,638 | 94,638 | 97,038 | 2,400 |
| Circuit Court Probation | - | - | 2,511 | 2,511 |
| Jury Board | 3,900 | 3,900 | 1,850 | (2,050) |
| TOTAL JUDICIAL | 2,697,624 | 2,701,188 | 2,669,611 | (31,577) |
| GENERAL GOVERNMENT | | | | |
| Executive: | | | | |
| Administration | 451,964 | 454,464 | 429,556 | (24,908) |
| Elections: | | | | |
| Elections and Canvassing | 22,082 | 22,082 | 23,033 | 951 |
| General Services - Administrative: | | | | |
| County Clerk | 381,271 | 381,271 | 385,347 | 4,076 |
| Equalization | 295,698 | 295,698 | 272,050 | (23,648) |
| Human Resources | 28,800 | 28,800 | 71,455 | 42,655 |
| Prosecuting Attorney | 822,934 | 822,934 | 756,022 | (66,912) |
| Public Defender | 390,050 | 390,050 | 400,515 | 10,465 |
| Register of Deeds | 272,683 | 278,183 | 278,706 | 523 |
| Remonumentation | 50,217 | 108,617 | 112,986 | 4,369 |
| County Treasurer | 246,606 | 246,606 | 232,439 | (14,167) |
| Data Processing | 144,594 | 144,594 | 139,523 | (5,071) |
| Building Authority | 271,605 | 271,605 | 272,440 | 835 |
| Building and Grounds | 664,669 | 664,669 | 715,813 | 51,144 |
| Drain Commissioner | 335,911 | 335,911 | 318,075 | (17,836) |
| Total General Services - Administrative | 3,905,038 | 3,968,938 | 3,955,371 | (13,567) |
| TOTAL GENERAL GOVERNMENT | 4,379,084 | 4,445,484 | 4,407,960 | (37,524) |
| PUBLIC SAFETY | | | | |
| Law Enforcement: | | | | |
| Sheriff's Department | 1,831,860 | 1,867,307 | 1,823,510 | (43,797) |
| Road Patrol | 158,643 | 158,643 | 161,881 | 3,238 |
| OWI | - | - | 25,118 | 25,118 |
| Traffic Enforcement | - | - | 7,153 | 7,153 |
| Michigan Justice Training Act | 6,000 | 6,000 | 6,000 | - |
| BAYANET | 70,935 | 70,935 | 67,083 | (3,852) |
| Marine Safety | 14,877 | 14,877 | 11,414 | (3,463) |
| Total Law Enforcement | 2,082,315 | 2,117,762 | 2,102,159 | (15,603) |
| Corrections | 2,103,179 | 2,103,179 | 2,136,702 | 33,523 |

(Continued)

**ISABELLA COUNTY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|----------------------------------|----------------------------|---------------------------|------------------|------------------------------------|
| PUBLIC SAFETY (CONTINUED) | | | | |
| Planning | | | | |
| Zoning Board of Appeals | \$ 81 | \$ 81 | \$ - | \$ (81) |
| Youth grant | 1,805 | 1,805 | 16,977 | 15,172 |
| Community Development | 201,799 | 201,199 | 187,813 | (13,386) |
| AG Preservation Board | - | - | 572 | 572 |
| Plat Board | 269 | 269 | 100 | (169) |
| Total Planning | 203,954 | 203,354 | 205,462 | 2,108 |
| Other Protective Services: | | | | |
| Emergency Management | 137,648 | 437,492 | 760,388 | 322,896 |
| Livestock Claims | 900 | 900 | 75 | (825) |
| Total Other Protective Services | 138,548 | 438,392 | 760,463 | 322,071 |
| TOTAL PUBLIC SAFETY | 4,527,996 | 4,862,687 | 5,204,786 | 342,099 |
| PUBLIC WORKS | | | | |
| Board of Public Works | 6,815 | 6,815 | 930 | (5,885) |
| County Drain at Large | 165,000 | 165,000 | 98,408 | (66,592) |
| Road Graveling | - | - | 20,609 | 20,609 |
| Well Monitoring - Landfill | 106,022 | 106,022 | 33,528 | (72,494) |
| TOTAL PUBLIC WORKS | 277,837 | 277,837 | 153,475 | (124,362) |
| HEALTH AND WELFARE | | | | |
| Public Health: | | | | |
| Animal Control | 305,572 | 316,572 | 302,375 | (14,197) |
| Substance Abuse Counseling | 134,586 | 167,086 | 167,065 | (21) |
| Medical Examiner | 91,500 | 91,500 | 88,213 | (3,287) |
| Public Health | 403,011 | 385,847 | 386,719 | 872 |
| Mental Health Services | 216,300 | 216,300 | 216,300 | - |
| Child Protection Council | 5,000 | 5,000 | 5,000 | - |
| Family Counseling | 20,000 | 20,000 | 5,468 | (14,532) |
| Total Public Health | 1,175,969 | 1,202,305 | 1,171,140 | (31,165) |
| Social Service: | | | | |
| Veterans' Affairs | 119,606 | 119,606 | 108,347 | (11,259) |
| Services to the Aging | 2,500 | 2,500 | 2,440 | (60) |
| Disabilities Advisory Commission | 3,000 | 3,000 | 1,900 | (1,100) |
| Total Social Service | 125,106 | 125,106 | 112,687 | (12,419) |

(Continued)

**ISABELLA COUNTY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|----------------------|------------------------------------|
| HEALTH AND WELFARE (CONTINUED) | | | | |
| Economic Development and Assistance: | | | | |
| Chamber of Commerce | \$ 750 | \$ 750 | \$ 750 | \$ - |
| Middle Michigan Development Corporation | 21,000 | 22,500 | 22,500 | - |
| Total Economic Development and Assistance | 21,750 | 23,250 | 23,250 | - |
| TOTAL HEALTH AND WELFARE | 1,322,825 | 1,350,661 | 1,307,077 | (43,584) |
| RECREATION AND CULTURAL | | | | |
| Fair Board | 2,250 | 2,250 | 2,250 | - |
| Cultural: | | | | |
| MSU Cooperative Extension Service | 227,850 | 227,850 | 207,986 | (19,864) |
| City/County Library | 1,400 | 1,400 | 1,150 | (250) |
| Parks Board | 3,600 | 3,600 | 2,184 | (1,416) |
| Total Cultural | 232,850 | 232,850 | 211,320 | (21,530) |
| TOTAL RECREATION AND CULTURAL | 235,100 | 235,100 | 213,570 | (21,530) |
| OTHER GOVERNMENTAL FUNCTIONS | | | | |
| Insurance and bonds | 250,000 | 262,500 | 252,616 | (9,884) |
| Employee benefits | 135,000 | 135,000 | 84,144 | (50,856) |
| Postage | 70,000 | 70,000 | 64,732 | (5,268) |
| Contingency | 90,000 | 51,170 | - | (51,170) |
| TOTAL OTHER GOVERNMENTAL FUNCTIONS | 545,000 | 518,670 | 401,492 | (117,178) |
| DEBT SERVICE | | | | |
| Principal payments | 42,528 | 43,128 | 42,140 | (988) |
| Interest and fiscal charges | 3,724 | 3,724 | 3,724 | - |
| TOTAL DEBT SERVICE | 46,252 | 46,852 | 45,864 | (988) |
| TOTAL EXPENDITURES | <u>\$ 14,154,662</u> | <u>\$ 14,561,423</u> | <u>\$ 14,566,244</u> | <u>\$ 4,821</u> |

**ISABELLA COUNTY, MICHIGAN
BUILDING AUTHORITY BONDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|------------------|------------------------------------|
| Revenues | | | | |
| Interest and rent | \$ 271,555 | \$ 271,555 | \$ 273,666 | \$ 2,111 |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal payments | 320,000 | 320,000 | 320,000 | - |
| Interest and fiscal charges | 292,824 | 292,824 | 292,914 | 90 |
| Total expenditures | <u>612,824</u> | <u>612,824</u> | <u>612,914</u> | <u>90</u> |
| Revenues over (under) expenditures | (341,269) | (341,269) | (339,248) | 2,021 |
| Other financing sources | | | | |
| Transfers in | <u>341,269</u> | <u>341,269</u> | <u>341,299</u> | <u>30</u> |
| Net change in fund balance | - | - | 2,051 | 2,051 |
| Fund balance, beginning of period | <u>47,483</u> | <u>47,483</u> | <u>47,483</u> | <u>-</u> |
| Fund balance, end of period | <u>\$ 47,483</u> | <u>\$ 47,483</u> | <u>\$ 49,534</u> | <u>\$ 2,051</u> |

ISABELLA COUNTY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulations.

Special Revenue Funds are part of the governmental fund category and, accordingly, are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as a net current asset, and expenditures are generally recognized when the related fund liability is incurred.

The Department of Human Services Special Revenue Fund operates as a “quasi-independent” unit.

Certain Special Revenue Funds are required to account for specified activities of the Courts (the Friend of the Court Fund, Community Alternatives Fund, and Public Act 511 Fund) or certain County departments (Veterans’ Activities) or in accordance with public law (County Law Library).

Other Special Revenue funds are used to account for activities financed with specific revenue sources (the Parks and Recreation Fund, the Register of Deeds Automation Fund, the Drug Law Enforcement Fund, the Link Michigan Grant, Library Board, the CDBG Housing Assistance Grant Fund, the Revenue Sharing Reserve Fund, the Commission on Aging Activities Fund, and the E-911 Fund).

The foregoing funds are budgeted and accounted for separately. However, many funds are homogeneous in nature and therefore are combined for purposes of individual fund financial statement presentation.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the purchase or construction of major capital facilities which are not financed by proprietary funds. The funds are used when legally mandated or when projects are financed wholly or in part by bond issues, intergovernmental revenue, or private donations. This is also particularly useful for projects financed from current revenue of more than one fund or covering more than one year.

The County has two Capital Projects Funds:

The Capital Improvement Fund is used to account for the financing of various projects, relating to Capital Outlay acquisitions. Many projects are financed with transfers from other funds.

The Detox Center Construction fund is used to account for the construction of a detoxification center, which is partially funded with tribal funds and by Northern Michigan Substance Abuse Services.

ISABELLA COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

| | Special Revenue Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|--------------------------------------|---------------------------------------|--|
| Assets | | | |
| Cash and cash equivalents | \$ 1,375,503 | \$ 25,795 | \$ 1,401,298 |
| Accounts receivable | 713,773 | - | 713,773 |
| Due from other funds | 484,838 | 74,268 | 559,106 |
| Due from other governmental units: | | | |
| Federal | 125,825 | - | 125,825 |
| State | 75,980 | - | 75,980 |
| Inventory | 11,180 | - | 11,180 |
| Prepaid expenditures | 987 | - | 987 |
| Total assets | \$ 2,788,086 | \$ 100,063 | \$ 2,888,149 |
| Liabilities and fund balances | | | |
| Liabilities | | | |
| Account payable | \$ 173,065 | \$ 8,188 | \$ 181,253 |
| Accrued liabilities | 97,110 | - | 97,110 |
| Due to other funds | 175,795 | - | 175,795 |
| Due to other governmental units: | | | |
| State | 27,000 | - | 27,000 |
| Deferred revenue | 1,223,091 | 79,734 | 1,302,825 |
| Total liabilities | 1,696,061 | 87,922 | 1,783,983 |
| Fund balances | | | |
| Reserved: | | | |
| Donations for special projects | 44,428 | - | 44,428 |
| Inventory | 11,180 | - | 11,180 |
| Prepaid expenditures | 987 | - | 987 |
| Equipment Replacement | 140,560 | - | 140,560 |
| Unreserved - undesignated | 894,870 | 12,141 | 907,011 |
| Total fund balances | 1,092,025 | 12,141 | 1,104,166 |
| Total liabilities and fund balances | \$ 2,788,086 | \$ 100,063 | \$ 2,888,149 |

ISABELLA COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Special Revenue Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|------------------------------|--|
| Revenues | | | |
| Licenses and permits | \$ 259,037 | \$ - | \$ 259,037 |
| Intergovernmental | | | |
| Federal | 736,143 | - | 736,143 |
| State | 905,421 | 190,350 | 1,095,771 |
| Local | 573,812 | 386,113 | 959,925 |
| Charges for services | 1,088,433 | - | 1,088,433 |
| Fines and forfeits | 154,319 | - | 154,319 |
| Interest and rent | 27,517 | 1,219 | 28,736 |
| Other | 552,822 | 25,907 | 578,729 |
| Total revenues | 4,297,504 | 603,589 | 4,901,093 |
| Expenditures | | | |
| Current | | | |
| Judicial | 879,136 | - | 879,136 |
| General government | 21,932 | - | 21,932 |
| Public Safety | 937,955 | - | 937,955 |
| Health and Welfare | 2,408,758 | - | 2,408,758 |
| Recreational and cultural | 825,337 | - | 825,337 |
| Capital outlay | - | 1,095,163 | 1,095,163 |
| Debt service | 9,966 | - | 9,966 |
| Total expenditures | 5,083,084 | 1,095,163 | 6,178,247 |
| Revenues over (under) expenditures | (785,580) | (491,574) | (1,277,154) |
| Other financing sources (uses) | | | |
| Transfer in | 992,042 | 435,620 | 1,427,662 |
| Transfer out | (30,500) | - | (30,500) |
| Total other financing sources (uses) | 961,542 | 435,620 | 1,397,162 |
| Net change in fund balances | 175,962 | (55,954) | 120,008 |
| Fund balances, beginning of period | 916,063 | 68,095 | 984,158 |
| Fund balances, end of period | \$ 1,092,025 | \$ 12,141 | \$ 1,104,166 |

**ISABELLA COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2006**

| <u>ASSETS</u> | Parks and Recreation | Friend of the Court | Register of Deeds Automation |
|---|---------------------------------|--------------------------------|---|
| Cash and cash equivalents | \$ 116,467 | \$ 9,201 | \$ 253,726 |
| Accounts receivable | 1,663 | - | - |
| Due from other funds | - | - | - |
| Due from other governmental units: | | | |
| Federal | - | 65,377 | - |
| State | - | - | - |
| Inventory | - | - | - |
| Prepaid expenditures | 330 | 132 | - |
| <u>TOTAL ASSETS</u> | \$ 118,460 | \$ 74,710 | \$ 253,726 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 26,647 | \$ 1,519 | \$ 15,250 |
| Accrued liabilities | 10,277 | 16,052 | - |
| Due to other funds | 97 | 102 | 5,500 |
| Due to other governmental units: | | | |
| State | - | - | - |
| Deferred revenue | 995 | - | - |
| TOTAL LIABILITIES | 38,016 | 17,673 | 20,750 |
| FUND BALANCES | | | |
| Reserved: | | | |
| Donations for special projects | 42,398 | - | - |
| Inventory | - | - | - |
| Prepaid expenditures | 330 | 132 | - |
| Equipment replacement | - | - | - |
| Unreserved - undesignated | 37,716 | 56,905 | 232,976 |
| TOTAL FUND BALANCES | 80,444 | 57,037 | 232,976 |
| <u>TOTAL LIABILITIES AND FUND BALANCES</u> | \$ 118,460 | \$ 74,710 | \$ 253,726 |

| Drug Law Enforcement Activities | Community Alternatives | Public Act 511 | LINK Michigan Grant | Local Correction Officer Training | County Law Library |
|--|-----------------------------------|---------------------------|------------------------------------|--|-------------------------------|
| \$ 65,838 | \$ 60,084 | \$ 19,304 | \$ 5,700 | \$ 17,480 | \$ 6,283 |
| - | - | 94,530 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 13,003 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <hr/> | | | | | |
| \$ 65,838 | \$ 60,084 | \$ 126,837 | \$ 5,700 | \$ 17,480 | \$ 6,283 |
| <hr/> | | | | | |
| \$ - | \$ - | \$ 14,130 | \$ - | \$ - | \$ 1,643 |
| - | 1,683 | 1,675 | - | 2,656 | - |
| - | - | 54,451 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <hr/> | | | | | |
| - | 1,683 | 70,256 | - | 2,656 | 1,643 |
| <hr/> | | | | | |
| - | 2,030 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 65,838 | 56,371 | 56,581 | 5,700 | 14,824 | 4,640 |
| <hr/> | | | | | |
| 65,838 | 58,401 | 56,581 | 5,700 | 14,824 | 4,640 |
| <hr/> | | | | | |
| \$ 65,838 | \$ 60,084 | \$ 126,837 | \$ 5,700 | \$ 17,480 | \$ 6,283 |
| <hr/> | | | | | |

(Continued)

**ISABELLA COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
SEPTEMBER 30, 2006**

| <u>ASSETS</u> | <u>Library Board</u> | <u>CDBG Housing Assistance Grant</u> |
|--|--------------------------|--|
| Cash and cash equivalents | \$ 332 | \$ 35,062 |
| Accounts receivable | - | 549,190 |
| Due from other funds | - | 19,838 |
| Due from other governmental units | | |
| Federal | - | - |
| State | - | - |
| Inventory | - | - |
| Prepaid expenditures | - | - |
| | <hr/> | <hr/> |
| <u>TOTAL ASSETS</u> | <u>\$ 332</u> | <u>\$ 604,090</u> |
| | | |
| <u>LIABILITIES AND FUND BALANCES</u> | | |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ 15 |
| Accrued liabilities | - | 4,464 |
| Due to other funds | - | 24,494 |
| Due to other governmental units: | | |
| State | - | - |
| Deferred revenue | - | 549,190 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | <hr/> | <hr/> |
| | - | 578,163 |
| FUND BALANCES | | |
| Reserved: | | |
| Donations for special projects | - | - |
| Inventory | - | - |
| Prepaid expenditures | - | - |
| Equipment replacement | - | - |
| Unreserved - undesignated | 332 | 25,927 |
| | <hr/> | <hr/> |
| TOTAL FUND BALANCES | <hr/> | <hr/> |
| | 332 | 25,927 |
| | | |
| <u>TOTAL LIABILITIES AND FUND BALANCES</u> | <u>\$ 332</u> | <u>\$ 604,090</u> |

| Commission on Aging Activities | Department of Human Services | Veterans' Activities | E-911 | Total |
|---|---|---------------------------------|-------------------|---------------------|
| \$ 185,098 | \$ 121,960 | \$ 4,167 | \$ 474,801 | \$ 1,375,503 |
| 23,793 | - | - | 44,597 | 713,773 |
| 465,000 | - | - | - | 484,838 |
| 60,448 | - | - | - | 125,825 |
| 19,428 | - | - | 43,549 | 75,980 |
| 11,180 | - | - | - | 11,180 |
| 525 | - | - | - | 987 |
| \$ 765,472 | \$ 121,960 | \$ 4,167 | \$ 562,947 | \$ 2,788,086 |
| \$ 37,551 | \$ - | \$ - | \$ 76,310 | \$ 173,065 |
| 39,303 | - | - | 21,000 | 97,110 |
| 1,143 | - | - | 90,008 | 175,795 |
| - | 27,000 | - | - | 27,000 |
| 672,906 | - | - | - | 1,223,091 |
| 750,903 | 27,000 | - | 187,318 | 1,696,061 |
| - | - | - | - | 44,428 |
| 11,180 | - | - | - | 11,180 |
| 525 | - | - | - | 987 |
| - | - | - | 140,560 | 140,560 |
| 2,864 | 94,960 | 4,167 | 235,069 | 894,870 |
| 14,569 | 94,960 | 4,167 | 375,629 | 1,092,025 |
| \$ 765,472 | \$ 121,960 | \$ 4,167 | \$ 562,947 | \$ 2,788,086 |

**ISABELLA COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Parks and Recreation | Friend of the Court | Register of Deeds Automation |
|--|---------------------------------|--------------------------------|---|
| Revenues | | | |
| Licenses and permits | \$ 259,037 | \$ - | \$ - |
| Intergovernmental: | | | |
| Federal | - | 406,480 | - |
| State | - | - | - |
| Local | - | - | - |
| Charges for services | - | 15,936 | 67,116 |
| Fines and forfeits | - | - | - |
| Interest and rent | 4,743 | - | 7,654 |
| Other revenue | 11,291 | - | - |
| Total revenues | 275,071 | 422,416 | 74,770 |
| Expenditures | | | |
| Current: | | | |
| Judicial | - | 575,702 | - |
| General government | - | - | 21,932 |
| Public safety | - | - | - |
| Health and welfare | - | - | - |
| Recreation and cultural | 508,169 | - | - |
| Debt service: | | | |
| Principal payments | 852 | 2,561 | - |
| Interest and fiscal charges | 434 | 226 | - |
| Total expenditures | 509,455 | 578,489 | 21,932 |
| Revenues over (under) expenditures | (234,384) | (156,073) | 52,838 |
| Other financing sources (uses) | | | |
| Transfers in | 247,706 | 263,644 | - |
| Transfers out | - | - | (5,500) |
| Total other financing sources (uses) | 247,706 | 263,644 | (5,500) |
| Net change in fund balances | 13,322 | 107,571 | 47,338 |
| Fund balances (deficit), beginning of period | 67,122 | (50,534) | 185,638 |
| Fund balances, end of period | \$ 80,444 | \$ 57,037 | \$ 232,976 |

| Drug Law Enforcement Activities | Community Alternatives | Public Act 511 | LINK Michigan Grant | Local Correction Officer Training | County Law Library |
|--|-----------------------------------|---------------------------|------------------------------------|--|-------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | 128,369 | - | - | - |
| - | - | - | - | - | - |
| - | 100,487 | 128,879 | - | 17,850 | - |
| 5,968 | - | - | - | - | 6,500 |
| 119 | - | - | - | - | - |
| - | 1,007 | - | - | - | - |
| 6,087 | 101,494 | 257,248 | - | 17,850 | 6,500 |
| - | 55,264 | 239,876 | - | - | 8,294 |
| - | - | - | - | - | - |
| - | - | - | - | 3,026 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 55,264 | 239,876 | - | 3,026 | 8,294 |
| 6,087 | 46,230 | 17,372 | - | 14,824 | (1,794) |
| - | - | - | - | - | 8,883 |
| - | (25,000) | - | - | - | - |
| - | (25,000) | - | - | - | 8,883 |
| 6,087 | 21,230 | 17,372 | - | 14,824 | 7,089 |
| 59,751 | 37,171 | 39,209 | 5,700 | - | (2,449) |
| \$ 65,838 | \$ 58,401 | \$ 56,581 | \$ 5,700 | \$ 14,824 | \$ 4,640 |

(Continued)

ISABELLA COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Library Board | CDBG Housing Assistance Grant | Commission on Aging Activities |
|--|--------------------------|--|---|
| Revenues | | | |
| Licenses and permits | \$ - | \$ - | \$ - |
| Intergovernmental: | | | |
| Federal | - | 19,819 | 309,844 |
| State | - | 650 | 467,627 |
| Local | - | - | 572,972 |
| Charges for services | - | - | 51,884 |
| Fines and forfeits | 141,851 | - | - |
| Interest and rent | 11 | - | - |
| Other revenue | - | 34,473 | 505,967 |
| Total revenues | 141,862 | 54,942 | 1,908,294 |
| Expenditures | | | |
| Current: | | | |
| Judicial | - | - | - |
| General government | - | - | - |
| Public safety | - | - | - |
| Health and welfare | - | 38,743 | 2,210,561 |
| Recreation and cultural | 269,159 | - | 48,009 |
| Debt service: | | | |
| Principal payments | - | - | 2,774 |
| Interest and fiscal charges | - | - | 245 |
| Total expenditures | 269,159 | 38,743 | 2,261,589 |
| Revenues over (under) expenditures | (127,297) | 16,199 | (353,295) |
| Other financing sources (uses) | | | |
| Transfers in | 127,308 | - | 338,001 |
| Transfers out | - | - | - |
| Total other financing sources (uses) | 127,308 | - | 338,001 |
| Net change in fund balances | 11 | 16,199 | (15,294) |
| Fund balances (deficit), beginning of period | 321 | 9,728 | 29,863 |
| Fund balances, end of period | \$ 332 | \$ 25,927 | \$ 14,569 |

| Department of Human Services | Veterans' Activities | E-911 | Total |
|---|---------------------------------|--------------|--------------|
| \$ - | \$ - | \$ - | \$ 259,037 |
| - | - | - | 736,143 |
| 140,125 | 5,232 | 163,418 | 905,421 |
| - | - | 840 | 573,812 |
| - | - | 706,281 | 1,088,433 |
| - | - | - | 154,319 |
| - | - | 14,990 | 27,517 |
| - | - | 84 | 552,822 |
| 140,125 | 5,232 | 885,613 | 4,297,504 |
| - | - | - | 879,136 |
| - | - | - | 21,932 |
| - | - | 934,929 | 937,955 |
| 150,137 | 9,317 | - | 2,408,758 |
| - | - | - | 825,337 |
| - | - | 2,641 | 8,828 |
| - | - | 233 | 1,138 |
| 150,137 | 9,317 | 937,803 | 5,083,084 |
| (10,012) | (4,085) | (52,190) | (785,580) |
| 1,000 | 5,500 | - | 992,042 |
| - | - | - | (30,500) |
| 1,000 | 5,500 | - | 961,542 |
| (9,012) | 1,415 | (52,190) | 175,962 |
| 103,972 | 2,752 | 427,819 | 916,063 |
| \$ 94,960 | \$ 4,167 | \$ 375,629 | \$ 1,092,025 |

ISABELLA COUNTY, MICHIGAN
PARKS AND RECREATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|-------------------------|------------------------------------|
| Revenues | | | | |
| Licenses and permits | \$ 251,450 | \$ 251,450 | \$ 259,037 | \$ 7,587 |
| Interest and rent | 1,000 | 1,000 | 4,743 | 3,743 |
| Other revenue | 9,768 | 9,768 | 11,291 | 1,523 |
| Total revenues | <u>262,218</u> | <u>262,218</u> | <u>275,071</u> | <u>12,853</u> |
| Expenditures | | | | |
| Recreation and cultural: | | | | |
| Administration | 182,306 | 177,563 | 168,779 | (8,784) |
| Coldwater Lake County Park | 73,077 | 79,020 | 77,422 | (1,598) |
| Deerfield County Park | 33,834 | 31,583 | 47,240 | 15,657 |
| Herrick County Park | 77,718 | 71,734 | 66,080 | (5,654) |
| Maintenance shop | 141,765 | 148,800 | 148,648 | (152) |
| Debt service: | | | | |
| Principal payments | 1,224 | 1,224 | 852 | (372) |
| Interest and fiscal charges | - | - | 434 | 434 |
| Total expenditures | <u>509,924</u> | <u>509,924</u> | <u>509,455</u> | <u>(469)</u> |
| Revenues over (under) expenditures | (247,706) | (247,706) | (234,384) | 13,322 |
| Other financing sources | | | | |
| Transfers in | <u>247,706</u> | <u>247,706</u> | <u>247,706</u> | <u>-</u> |
| Net change in fund balance | - | - | 13,322 | 13,322 |
| Fund balances, beginning of period | <u>67,122</u> | <u>67,122</u> | <u>67,122</u> | <u>-</u> |
| Fund balances, end of period | <u><u>\$ 67,122</u></u> | <u><u>\$ 67,122</u></u> | <u><u>\$ 80,444</u></u> | <u><u>\$ 13,322</u></u> |

ISABELLA COUNTY, MICHIGAN
FRIEND OF THE COURT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal | \$ 407,000 | \$ 407,000 | \$ 406,480 | \$ (520) |
| Charges for services - fees | 6,700 | 6,700 | 15,936 | 9,236 |
| Total revenues | <u>413,700</u> | <u>413,700</u> | <u>422,416</u> | <u>8,716</u> |
| Expenditures | | | | |
| Judicial: | | | | |
| Friend of the Court | 657,497 | 657,497 | 575,702 | (81,795) |
| Debt service: | | | | |
| Principal payments | 2,510 | 2,510 | 2,561 | 51 |
| Interest and fiscal charges | - | - | 226 | 226 |
| Total expenditures | <u>660,007</u> | <u>660,007</u> | <u>578,489</u> | <u>(81,518)</u> |
| Revenues over (under) expenditures | (246,307) | (246,307) | (156,073) | 90,234 |
| Other financing sources | | | | |
| Transfers in | 246,307 | 263,644 | 263,644 | - |
| Net change in fund balance | - | 17,337 | 107,571 | 90,234 |
| Fund balances (deficit), beginning of period | <u>(50,534)</u> | <u>(50,534)</u> | <u>(50,534)</u> | <u>-</u> |
| Fund balances (deficit), end of period | <u>\$ (50,534)</u> | <u>\$ (33,197)</u> | <u>\$ 57,037</u> | <u>\$ 90,234</u> |

ISABELLA COUNTY, MICHIGAN
REGISTER OF DEEDS - AUTOMATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|-------------------|------------------------------------|
| Revenues | | | | |
| Charges for services - fees | \$ 82,500 | \$ 82,500 | \$ 67,116 | \$ (15,384) |
| Interest and rents | 500 | 500 | 7,654 | 7,154 |
| Total revenues | 83,000 | 83,000 | 74,770 | (8,230) |
| Expenditures | | | | |
| General government | 83,000 | 83,000 | 21,932 | (61,068) |
| Revenues over (under) expenditures | - | - | 52,838 | 52,838 |
| Other financing (uses) | | | | |
| Transfers out | - | (5,500) | (5,500) | - |
| Net change in fund balance | - | (5,500) | 47,338 | 52,838 |
| Fund balances, beginning of period | 185,638 | 185,638 | 185,638 | - |
| Fund balances, end of period | <u>\$ 185,638</u> | <u>\$ 180,138</u> | <u>\$ 232,976</u> | <u>\$ 52,838</u> |

ISABELLA COUNTY, MICHIGAN
DRUG LAW ENFORCEMENT ACTIVITIES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|-------------------------------------|----------------------------|---------------------------|-------------------------|------------------------------------|
| Revenues | | | | |
| Fines and forfeits | \$ 3,250 | \$ 3,250 | \$ 5,968 | \$ 2,718 |
| Interest | 500 | 500 | 119 | (381) |
| Total revenues | <u>3,750</u> | <u>3,750</u> | <u>6,087</u> | <u>2,337</u> |
| Expenditures | | | | |
| Public safety: | | | | |
| Drug enforcement | 1,000 | 1,000 | - | (1,000) |
| Drug education | <u>2,750</u> | <u>2,750</u> | <u>-</u> | <u>(2,750)</u> |
| Total expenditures | <u>3,750</u> | <u>3,750</u> | <u>-</u> | <u>(3,750)</u> |
| Net change in fund balance | - | - | 6,087 | 6,087 |
| Fund balances, beginning of period | <u>59,751</u> | <u>59,751</u> | <u>59,751</u> | <u>-</u> |
| Fund balances, end of period | <u><u>\$ 59,751</u></u> | <u><u>\$ 59,751</u></u> | <u><u>\$ 65,838</u></u> | <u><u>\$ 6,087</u></u> |

ISABELLA COUNTY, MICHIGAN
COMMUNITY ALTERNATIVES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|-------------------------|------------------------------------|
| Revenues | | | | |
| Charges for services | \$ 106,500 | \$ 106,500 | \$ 100,487 | \$ (6,013) |
| Other revenue | 1,500 | 1,500 | 1,007 | (493) |
| Total revenues | <u>108,000</u> | <u>108,000</u> | <u>101,494</u> | <u>(6,506)</u> |
| Expenditures | | | | |
| Judicial: | | | | |
| Community services | 54,832 | 54,832 | 54,553 | (279) |
| Juvenile Garden program | - | - | 711 | 711 |
| Total expenditures | <u>54,832</u> | <u>54,832</u> | <u>55,264</u> | <u>432</u> |
| Revenues over (under) expenditures | 53,168 | 53,168 | 46,230 | (6,938) |
| Other financing (uses) | | | | |
| Transfers out | (25,000) | (25,000) | (25,000) | - |
| Net change in fund balance | 28,168 | 28,168 | 21,230 | (6,938) |
| Fund balances, beginning of period | <u>37,171</u> | <u>37,171</u> | <u>37,171</u> | <u>-</u> |
| Fund balances, end of period | <u><u>\$ 65,339</u></u> | <u><u>\$ 65,339</u></u> | <u><u>\$ 58,401</u></u> | <u><u>\$ (6,938)</u></u> |

ISABELLA COUNTY, MICHIGAN
PUBLIC ACT 511 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|-------------------------------------|----------------------------|---------------------------|-------------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| State | \$ 100,000 | \$ 146,909 | \$ 128,369 | \$ (18,540) |
| Charges for services | 81,400 | 81,400 | 128,879 | 47,479 |
| Total revenues | <u>181,400</u> | <u>228,309</u> | <u>257,248</u> | <u>28,939</u> |
| Expenditures | | | | |
| Judicial: | | | | |
| P.A. 511 administration | 53,797 | 53,797 | 66,232 | 12,435 |
| P.A. 511 programs | 147,210 | 147,210 | 173,644 | 26,434 |
| Total expenditures | <u>201,007</u> | <u>201,007</u> | <u>239,876</u> | <u>38,869</u> |
| Net change in fund balance | (19,607) | 27,302 | 17,372 | (9,930) |
| Fund balances, beginning of period | <u>39,209</u> | <u>39,209</u> | <u>39,209</u> | <u>-</u> |
| Fund balances, end of period | <u><u>\$ 19,602</u></u> | <u><u>\$ 66,511</u></u> | <u><u>\$ 56,581</u></u> | <u><u>\$ (9,930)</u></u> |

**ISABELLA COUNTY, MICHIGAN
LINK MICHIGAN GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|-------------------------------------|----------------------------|---------------------------|-----------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal | \$ - | \$ - | \$ - | \$ - |
| Local | - | - | - | - |
| Total revenues | - | - | - | - |
| Expenditures | | | | |
| Recreation and cultural | - | - | - | - |
| Net change in fund balance | - | - | - | - |
| Fund balances, beginning of period | 5,700 | 5,700 | 5,700 | - |
| Fund balances, end of period | <u>\$ 5,700</u> | <u>\$ 5,700</u> | <u>\$ 5,700</u> | <u>\$ -</u> |

ISABELLA COUNTY, MICHIGAN
LOCAL CORRECTION OFFICER TRAINING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|-------------------------------------|----------------------------|---------------------------|-------------------------|------------------------------------|
| Revenues | | | | |
| Charges for services | \$ - | \$ - | \$ 17,850 | \$ 17,850 |
| Expenditures | | | | |
| Public safety | <u>-</u> | <u>-</u> | <u>3,026</u> | <u>3,026</u> |
| Net change in fund balance | - | - | 14,824 | 14,824 |
| Fund balances, beginning of period | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of period | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 14,824</u></u> | <u><u>\$ 14,824</u></u> |

**ISABELLA COUNTY, MICHIGAN
COUNTY LAW LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|-----------------|------------------------------------|
| Revenues | | | | |
| Fines and forfeits | \$ 6,500 | \$ 6,500 | \$ 6,500 | \$ - |
| Expenditures | | | | |
| Judicial | 12,234 | 12,234 | 8,294 | (3,940) |
| Revenues over (under) expenditures | (5,734) | (5,734) | (1,794) | 3,940 |
| Other financing sources | | | | |
| Transfers in | 6,434 | 8,883 | 8,883 | - |
| Net change in fund balance | 700 | 3,149 | 7,089 | 3,940 |
| Fund balances (deficit), beginning of period | (2,449) | (2,449) | (2,449) | - |
| Fund balances (deficit), end of period | <u>\$ (1,749)</u> | <u>\$ 700</u> | <u>\$ 4,640</u> | <u>\$ 3,940</u> |

**ISABELLA COUNTY, MICHIGAN
LIBRARY BOARD SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|----------------------|------------------------------------|
| Revenues | | | | |
| Fines and forfeits | \$ 164,000 | \$ 164,000 | \$ 141,851 | \$ (22,149) |
| Interest | <u>500</u> | <u>500</u> | <u>11</u> | <u>(489)</u> |
| Total revenues | 164,500 | 164,500 | 141,862 | (22,638) |
| Expenditures | | | | |
| Recreational and cultural | <u>287,600</u> | <u>291,308</u> | <u>269,159</u> | <u>(22,149)</u> |
| Revenues over (under) expenditures | (123,100) | (126,808) | (127,297) | (489) |
| Other financing sources | | | | |
| Transfers in | <u>123,600</u> | <u>127,308</u> | <u>127,308</u> | <u>-</u> |
| Net change in fund balance | 500 | 500 | 11 | (489) |
| Fund balances, beginning of period | <u>321</u> | <u>321</u> | <u>321</u> | <u>-</u> |
| Fund balances, end of period | <u><u>\$ 821</u></u> | <u><u>\$ 821</u></u> | <u><u>\$ 332</u></u> | <u><u>\$ (489)</u></u> |

ISABELLA COUNTY, MICHIGAN
CDBG HOUSING ASSISTANCE GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal | \$ 140,500 | \$ 140,500 | \$ 19,819 | \$ (120,681) |
| State | 3,000 | 3,000 | 650 | (2,350) |
| Other revenue | 15,000 | 15,000 | 34,473 | 19,473 |
| Total revenues | 158,500 | 158,500 | 54,942 | (103,558) |
| Expenditures | | | | |
| Health and welfare: | | | | |
| H.A.P. project | 179,856 | 179,856 | 38,743 | (141,113) |
| Net change in fund balance | (21,356) | (21,356) | 16,199 | 37,555 |
| Fund balances, beginning of period | 9,728 | 9,728 | 9,728 | - |
| Fund balances (deficit), end of period | <u>\$ (11,628)</u> | <u>\$ (11,628)</u> | <u>\$ 25,927</u> | <u>\$ 37,555</u> |

ISABELLA COUNTY, MICHIGAN
COMMISSION ON AGING ACTIVITIES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal | \$ 420,255 | \$ 406,491 | \$ 309,844 | \$ (96,647) |
| State | 340,517 | 347,007 | 467,627 | 120,620 |
| Local | 536,607 | 510,910 | 572,972 | 62,062 |
| Charges for services | 46,400 | 4,400 | 51,884 | 47,484 |
| Other: | | | | |
| Contributions and donations | 544,967 | 563,576 | 435,974 | (127,602) |
| Miscellaneous | 24,181 | 20,915 | 69,993 | 49,078 |
| Total revenues | 1,912,927 | 1,853,299 | 1,908,294 | 54,995 |
| Expenditures | | | | |
| Health and welfare: | | | | |
| In-home services | 574,900 | 594,659 | 607,230 | 12,571 |
| Food with friends | 742,429 | 762,730 | 787,878 | 25,148 |
| Foster grandparent program | 331,640 | 351,203 | 362,747 | 11,544 |
| Senior center staffing | 63,420 | 63,420 | 63,898 | 478 |
| Community Foundation | - | - | 4,156 | 4,156 |
| Health and Wellness | - | - | 541 | 541 |
| Volunteer travel | 37,286 | 37,286 | 37,596 | 310 |
| Fitness | 24,522 | 24,522 | 23,577 | (945) |
| Respite | 32,091 | 32,091 | 29,320 | (2,771) |
| Unmet needs | 12,000 | 12,000 | 18,032 | 6,032 |
| Administration | 275,282 | 275,282 | 275,586 | 304 |
| Total Health and welfare | 2,093,570 | 2,153,193 | 2,210,561 | 57,368 |
| Recreation and cultural | | | | |
| COA trips | 64,700 | 64,700 | 48,009 | (16,691) |
| Debt Service: | | | | |
| Principal payments | 2,750 | 2,755 | 2,774 | 19 |
| Interest and fiscal charges | - | - | 245 | 245 |
| Total expenditures | 2,161,020 | 2,220,648 | 2,261,589 | 40,941 |
| Revenues over (under) expenditures | (248,093) | (367,349) | (353,295) | 14,054 |
| Other financing sources (uses) | | | | |
| Transfers in | 353,055 | 353,055 | 338,001 | (15,054) |
| Transfers out | (15,055) | (20,895) | - | 20,895 |
| Total other financing sources (uses) | 338,000 | 332,160 | 338,001 | 5,841 |
| Net change in fund balance | 89,907 | (35,189) | (15,294) | 19,895 |
| Fund balances, beginning of period | 29,863 | 29,863 | 29,863 | - |
| Fund balances, end of period | \$ 119,770 | \$ (5,326) | \$ 14,569 | \$ 19,895 |

ISABELLA COUNTY, MICHIGAN
DEPARTMENT OF HUMAN SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental | | | | |
| State | \$ - | \$ - | \$ 140,125 | \$ 140,125 |
| Expenditures | | | | |
| Health and Welfare | - | - | 150,137 | 150,137 |
| Revenues over (under) expenditures | - | - | (10,012) | (10,012) |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | 1,000 | 1,000 |
| Transfers out | (50,000) | (50,000) | - | 50,000 |
| Total other financing sources (uses) | (50,000) | (50,000) | 1,000 | 51,000 |
| Net change in fund balance | (50,000) | (50,000) | (9,012) | 40,988 |
| Fund balances, beginning of period | 103,972 | 103,972 | 103,972 | - |
| Fund balances, end of period | <u>\$ 53,972</u> | <u>\$ 53,972</u> | <u>\$ 94,960</u> | <u>\$ 40,988</u> |

ISABELLA COUNTY, MICHIGAN
VETERANS' ACTIVITIES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|-----------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| State | \$ 6,336 | \$ 6,336 | \$ 5,232 | \$ (1,104) |
| Expenditures | | | | |
| Health and welfare: | | | | |
| Veterans' affairs relief | 5,500 | 5,500 | 5,155 | (345) |
| Veterans' trust | 6,336 | 6,336 | 4,162 | (2,174) |
| Total expenditures | 11,836 | 11,836 | 9,317 | (2,519) |
| Revenues over (under) expenditures | (5,500) | (5,500) | (4,085) | 1,415 |
| Other financing sources | | | | |
| Transfers in | 5,500 | 5,500 | 5,500 | - |
| Net change in fund balance | - | - | 1,415 | 1,415 |
| Fund balances, beginning of period | 2,752 | 2,752 | 2,752 | - |
| Fund balances, end of period | \$ 2,752 | \$ 2,752 | \$ 4,167 | \$ 1,415 |

**ISABELLA COUNTY, MICHIGAN
E-911 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|-------------------------------------|----------------------------|---------------------------|--------------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| State | \$ 139,300 | \$ 139,300 | \$ 163,418 | \$ 24,118 |
| Local | - | - | 840 | 840 |
| Charges for services | 754,950 | 754,950 | 706,281 | (48,669) |
| Interest and rents | 5,000 | 5,000 | 14,990 | 9,990 |
| Other | 100 | 100 | 84 | (16) |
| Total revenues | <u>899,350</u> | <u>899,350</u> | <u>885,613</u> | <u>(13,737)</u> |
| Expenditures | | | | |
| Public safety | 985,323 | 985,323 | 934,929 | (50,394) |
| Debt service: | | | | |
| Principal payments | 2,400 | 2,400 | 2,641 | 241 |
| Interest and fiscal charges | - | - | 233 | 233 |
| Total expenditures | <u>987,723</u> | <u>987,723</u> | <u>937,803</u> | <u>(49,920)</u> |
| Net change in fund balance | (88,373) | (88,373) | (52,190) | 36,183 |
| Fund balances, beginning of period | <u>427,819</u> | <u>427,819</u> | <u>427,819</u> | <u>-</u> |
| Fund balances, end of period | <u><u>\$ 339,446</u></u> | <u><u>\$ 339,446</u></u> | <u><u>\$ 375,629</u></u> | <u><u>\$ 36,183</u></u> |

**ISABELLA COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
SEPTEMBER 30, 2006**

| | CAPITAL IMPROVEMENT | DETOX CENTER CONSTRUCTION | TOTAL |
|--|------------------------|------------------------------|-------------------|
| Assets | | | |
| Cash | \$ 25,795 | \$ - | \$ 25,795 |
| Due from other funds | 74,268 | - | 74,268 |
| | | | |
| Total assets | <u>\$ 100,063</u> | <u>\$ -</u> | <u>\$ 100,063</u> |
| Liabilities and fund balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 8,188 | \$ - | \$ 8,188 |
| Due to other funds | - | - | - |
| Deferred revenue | 79,734 | - | 79,734 |
| | | | |
| Total liabilities | 87,922 | - | 87,922 |
| Fund balances | | | |
| Unreserved: | | | |
| Undesignated | 12,141 | - | 12,141 |
| | | | |
| Total liabilities and fund balances | <u>\$ 100,063</u> | <u>\$ -</u> | <u>\$ 100,063</u> |

ISABELLA COUNTY, MICHIGAN
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | CAPITAL IMPROVEMENT | DETOX CENTER CONSTRUCTION | TOTAL |
|---|-------------------------|------------------------------|-------------------------|
| Revenues | | | |
| Intergovernmental: | | | |
| State | \$ 190,350 | \$ - | \$ 190,350 |
| Local | 151,854 | 234,259 | 386,113 |
| Interest and rents | 1,219 | - | 1,219 |
| Other | 25,907 | - | 25,907 |
| Total revenues | <u>369,330</u> | <u>234,259</u> | <u>603,589</u> |
| Expenditures | | | |
| Capital outlay: | | | |
| Capital projects | 406,437 | - | 406,437 |
| Vehicles | 94,097 | - | 94,097 |
| Detox center | - | 594,629 | 594,629 |
| Total expenditures | <u>500,534</u> | <u>594,629</u> | <u>1,095,163</u> |
| Revenues over (under) expenditures | <u>(131,204)</u> | <u>(360,370)</u> | <u>(491,574)</u> |
| Other financing sources (uses) | | | |
| Transfers in | 75,250 | 360,370 | 435,620 |
| Transfers out | - | - | - |
| Total other financing sources (uses) | <u>75,250</u> | <u>360,370</u> | <u>435,620</u> |
| Net change in fund balance | (55,954) | - | (55,954) |
| Fund balances, beginning of period | <u>68,095</u> | <u>-</u> | <u>68,095</u> |
| Fund balances, end of period | <u><u>\$ 12,141</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 12,141</u></u> |

ISABELLA COUNTY, MICHIGAN
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Original Budget | Amended Budget | Actual | Over (Under) Budget |
|---|----------------------------|---------------------------|------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| State | \$ - | \$ 191,000 | \$ 190,350 | \$ (650) |
| Local | - | 200,000 | 151,854 | (48,146) |
| Interest and rents | - | - | 1,219 | 1,219 |
| Other | - | 26,000 | 25,907 | (93) |
| Total revenues | <u>-</u> | <u>417,000</u> | <u>369,330</u> | <u>(47,670)</u> |
| Expenditures | | | | |
| Capital outlay: | | | | |
| Capital projects | - | 400,000 | 406,437 | 6,437 |
| Vehicles | 100,350 | 97,350 | 94,097 | (3,253) |
| Total expenditures | <u>100,350</u> | <u>497,350</u> | <u>500,534</u> | <u>3,184</u> |
| Revenues over (under) expenditures | (100,350) | (80,350) | (131,204) | (50,854) |
| Other financing sources | | | | |
| Transfers in | 75,250 | 75,250 | 75,250 | - |
| Net change in fund balance | (25,100) | (5,100) | (55,954) | (50,854) |
| Fund balances, beginning of period | 68,095 | 68,095 | 68,095 | - |
| Fund balances, end of period | <u>\$ 42,995</u> | <u>\$ 62,995</u> | <u>\$ 12,141</u> | <u>\$ (50,854)</u> |

ISABELLA COUNTY, MICHIGAN
DETOX CENTER CONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|--|----------------------------|---------------------------|--------------------|------------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| Local | \$ 289,750 | \$ 289,750 | \$ 234,259 | \$ (55,491) |
| Expenditures | | | | |
| Capital outlay: | | | | |
| Capital projects | <u>714,750</u> | <u>714,750</u> | <u>594,629</u> | <u>(120,121)</u> |
| Revenues over (under) expenditures | (425,000) | (425,000) | (360,370) | 64,630 |
| Other financing sources | | | | |
| Transfers in | <u>225,000</u> | <u>360,370</u> | <u>360,370</u> | <u>-</u> |
| Net change in fund balance | (200,000) | (64,630) | - | 64,630 |
| Fund balances, beginning of period | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances (deficits), end of period | <u><u>\$ (200,000)</u></u> | <u><u>\$ (64,630)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 64,630</u></u> |

ISABELLA COUNTY, MICHIGAN

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the County is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The County has four Nonmajor Enterprise Funds:

The Building Inspection Fund, which is used for the activity related to construction inspections; the Recycling Fund, which is used for the Recycling Program and related grants; the Concessions Fund, which is used to account for the purchase of candy, hygiene products, etc., for subsequent resale to inmates lodged in the Isabella County, Michigan Jail; and the PA 123 Restricted Tax Fund which is used to account for the activity related to the sale of real property to satisfy delinquent taxes receivables under Public Act 123.

ISABELLA COUNTY, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2006

| | Building Inspection | Recycling | Concessions | PA 123 Restricted Tax | Total |
|---|--------------------------------|---------------------|--------------------|----------------------------------|---------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 87,981 | \$ 327,881 | \$ 372,967 | \$ 233,894 | \$ 1,022,723 |
| Investments | - | - | - | 423,291 | 423,291 |
| Accounts receivable - net | - | 73,883 | - | - | 73,883 |
| Interest receivable | - | - | - | 3,476 | 3,476 |
| Due from other funds | - | 34,489 | - | 588 | 35,077 |
| Due from other governmental units: | | | | | |
| State | - | 44,635 | - | - | 44,635 |
| Local | - | 198,005 | - | - | 198,005 |
| Inventory | - | - | 1,938 | - | 1,938 |
| Total current assets | 87,981 | 678,893 | 374,905 | 661,249 | 1,803,028 |
| Capital assets | | | | | |
| Land | - | 121,953 | - | - | 121,953 |
| Buildings and improvements | - | 1,192,414 | 54,624 | - | 1,247,038 |
| Equipment | 8,965 | 781,494 | 60,508 | - | 850,967 |
| Vehicles | 72,737 | 302,014 | - | - | 374,751 |
| | 81,702 | 2,397,875 | 115,132 | - | 2,594,709 |
| Less accumulated depreciation | (46,247) | (1,203,851) | (34,560) | - | (1,284,658) |
| Total capital assets | 35,455 | 1,194,024 | 80,572 | - | 1,310,051 |
| Total assets | 123,436 | 1,872,917 | 455,477 | 661,249 | 3,113,079 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 1,946 | 125,576 | 5,948 | 1,190 | 134,660 |
| Accrued liabilities | 7,945 | 4,294 | - | 1,322 | 13,561 |
| Due to other funds | 150,408 | 17 | - | - | 150,425 |
| Capital lease payable - current | 261 | 959 | - | - | 1,220 |
| Total current liabilities | 160,560 | 130,846 | 5,948 | 2,512 | 299,866 |
| Long-term liabilities | | | | | |
| Unearned revenue | - | 33,534 | - | - | 33,534 |
| Accrued vacation and sick | 23,937 | 5,536 | - | 4,341 | 33,814 |
| Total long-term liabilities | 23,937 | 39,070 | - | 4,341 | 67,348 |
| Total liabilities | 184,497 | 169,916 | 5,948 | 6,853 | 367,214 |
| Net assets | | | | | |
| Investment in capital assets, net of related debt | 35,194 | 1,193,065 | 80,572 | - | 1,308,831 |
| Restricted for: | | | | | |
| Equipment replacement | - | 375,660 | 74,847 | - | 450,507 |
| Unrestricted (deficit) | (96,255) | 134,276 | 294,110 | 654,396 | 986,527 |
| Total net assets | \$ (61,061) | \$ 1,703,001 | \$ 449,529 | \$ 654,396 | \$ 2,745,865 |

ISABELLA COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND
AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Building Inspection | Recycling | Concessions | PA 123 Restricted Tax | Total |
|--|--------------------------------|---------------------|--------------------|----------------------------------|---------------------|
| Operating revenues | | | | | |
| Charges for services | \$ 331,525 | \$ 96,532 | \$ 222,021 | \$ 192,602 | \$ 842,680 |
| Sales | - | 529,706 | - | - | 529,706 |
| Total operating revenues | 331,525 | 626,238 | 222,021 | 192,602 | 1,372,386 |
| Operating expenses | | | | | |
| Personal services | 283,087 | 151,572 | - | 54,108 | 488,767 |
| Supplies | 7,463 | 17,365 | 6,239 | - | 31,067 |
| Contractual services | 9,203 | - | - | - | 9,203 |
| Other services and charges | 11,001 | 656,640 | 25,374 | 21,061 | 714,076 |
| Cost of goods sold | - | - | 86,779 | - | 86,779 |
| Depreciation | 3,570 | 78,817 | 11,523 | - | 93,910 |
| Total operating expenses | 314,324 | 904,394 | 129,915 | 75,169 | 1,423,802 |
| Operating income (loss) | 17,201 | (278,156) | 92,106 | 117,433 | (51,416) |
| Nonoperating revenues | | | | | |
| Intergovernmental - state grant | - | 48,026 | - | - | 48,026 |
| Intergovernmental - local contributions | - | 245,788 | - | - | 245,788 |
| Interest earned | - | 12,181 | 12,414 | 24,400 | 48,995 |
| Interest expense | (44) | (159) | - | - | (203) |
| Total nonoperating revenues | (44) | 305,836 | 12,414 | 24,400 | 342,606 |
| Income (loss) before transfers | 17,157 | 27,680 | 104,520 | 141,833 | 291,190 |
| Transfers | | | | | |
| Transfers in | - | 145,846 | - | - | 145,846 |
| Change in net assets | 17,157 | 173,526 | 104,520 | 141,833 | 437,036 |
| Net assets (deficit), beginning of period, as restated | (78,218) | 1,529,475 | 345,009 | 512,563 | 2,308,829 |
| Net assets (deficit), end of period | \$ (61,061) | \$ 1,703,001 | \$ 449,529 | \$ 654,396 | \$ 2,745,865 |

**ISABELLA COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Building Inspection | Recycling | Concessions | PA 123 Restricted Tax | Total |
|---|--------------------------------|---------------------|--------------------|----------------------------------|---------------------|
| Cash flows from operating activities | | | | | |
| Cash received from customers and users | \$ 331,525 | \$ 377,529 | \$ 222,021 | \$ 190,836 | \$ 1,121,911 |
| Cash received from interfund services provided | - | 107,047 | - | 1,988 | 109,035 |
| Cash payments for interfund services received | (22) | - | - | - | (22) |
| Cash payments to suppliers for goods and services | (28,190) | (786,880) | (112,131) | (21,482) | (948,683) |
| Cash payments to employees for services | (278,743) | (150,513) | - | (49,709) | (478,965) |
| Net cash provided (used) by operating activities | 24,570 | (452,817) | 109,890 | 121,633 | (196,724) |
| Cash flows from noncapital financing activities | | | | | |
| Intergovernmental - state grant | - | 48,026 | - | - | 48,026 |
| Intergovernmental - local contributions | - | 245,788 | - | - | 245,788 |
| Transfers in | - | 145,846 | - | - | 145,846 |
| Net cash provided (used) by noncapital financing activities | - | 439,660 | - | - | 439,660 |
| Cash flows from capital and related financing activities | | | | | |
| Purchase of capital assets | (29,974) | - | (18,557) | - | (48,531) |
| Principal paid on capital lease | (494) | (1,804) | - | - | (2,298) |
| Interest paid on capital lease | (44) | (159) | - | - | (203) |
| Net cash (used) by capital and related financing activities | (30,512) | (1,963) | (18,557) | - | (51,032) |
| Cash flows from investing activities | | | | | |
| Purchase of investments | - | - | - | (423,291) | (423,291) |
| Interest on investments | - | 12,181 | 12,414 | 20,924 | 45,519 |
| Net cash provided (used) by capital and related financing activities | - | 12,181 | 12,414 | (402,367) | (377,772) |
| Net increase (decrease) in cash and cash equivalents | (5,942) | (2,939) | 103,747 | (280,734) | (185,868) |
| Cash and cash equivalents, beginning of period | 93,923 | 330,820 | 269,220 | 514,628 | 1,208,591 |
| Cash and cash equivalents, end of period | \$ 87,981 | \$ 327,881 | \$ 372,967 | \$ 233,894 | \$ 1,022,723 |
| Reconciliation of operating income to net cash provided by operating activities | | | | | |
| Operating income (loss) | \$ 17,201 | \$ (278,156) | \$ 92,106 | \$ 117,433 | \$ (51,416) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 3,570 | 78,817 | 11,523 | - | 93,910 |
| (Increase) decrease in assets: | | | | | |
| Accounts receivable | - | (8,304) | - | (1,766) | (10,070) |
| Due from other funds | - | 107,045 | - | 1,988 | 109,033 |
| Due from other governmental units | - | (140,405) | - | - | (140,405) |
| Inventory | - | - | 6,926 | - | 6,926 |
| Increase (decrease) in liabilities: | | | | | |
| Accounts payable | (523) | (112,875) | (665) | (421) | (114,484) |
| Accrued liabilities | 185 | 27 | - | 58 | 270 |
| Due to other funds | (22) | 2 | - | - | (20) |
| Deferred revenue | - | (100,000) | - | - | (100,000) |
| Accrued sick and vacation | 4,159 | 1,032 | - | 4,341 | 9,532 |
| Total adjustments | 7,369 | (174,661) | 17,784 | 4,200 | (145,308) |
| Net cash provided (used) by operating activities | \$ 24,570 | \$ (452,817) | \$ 109,890 | \$ 121,633 | \$ (196,724) |

ISABELLA COUNTY, MICHIGAN

TRUST AND AGENCY FUNDS

DESCRIPTION OF FUNDS

Fiduciary, or Trust and Agency Funds, are used to account for assets which the County holds as trustee or agent for individuals, private organizations, and other governmental units. The County's Fiduciary Funds are all Agency Funds:

Agency Funds

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Agency Funds are merely clearing accounts, and are accounted for using the modified accrual basis of accounting.

The Trust and Agency Fund is used to account for collection and distribution of Court-imposed fines and collections, for current property tax collections remitted by the taxing units, and other similar collections.

The Inmate Trust Fund is used to account for cash held for inmates lodged in the County Jail.

The Employee Flexible Benefit Plan Fund is used to account for salary reductions made by employees for certain benefits as specified by the County's Flexible Benefits Plan and as permitted by IRC Section 125.

The Payroll Fund is used to account for all payroll tax-related transactions. Payroll withholdings are deposited to and disbursed from this Fund.

The Library Penal Fines Fund is used to receive money from penal fines imposed for state law violations. Money is transferred annually to the County Law Library Fund and to the City/County Library.

The Medical Care Facility Patient Fund is used to account for cash held for patients that reside in the facility.

**ISABELLA COUNTY, MICHIGAN
TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2006**

| | Trust and Agency | Inmate Trust |
|---------------------------------|-----------------------------|-------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 586,878 | \$ 33,717 |
| Accounts receivable | - | - |
| Total assets | \$ 586,878 | \$ 33,717 |
| Liabilities | | |
| Accounts payable | \$ 250,878 | \$ - |
| Due to other governmental units | 233,237 | - |
| Due to individuals | 102,763 | 33,717 |
| Undistributed receipts | - | - |
| Total liabilities | \$ 586,878 | \$ 33,717 |

| Agency Funds | | | | | | | | |
|--------------------------------|-------|---------|-------|---------------------|---------|--------------------------------------|-------|------------|
| Employee Flexible Benefit Plan | | Payroll | | Library Penal Fines | | Medical Care Facility Patient Agency | | Total |
| \$ | 8,707 | \$ | 2,887 | \$ | 103,835 | \$ | 1,375 | \$ 737,399 |
| | - | | 1,165 | | - | | - | 1,165 |
| | | | | | | | | |
| \$ | 8,707 | \$ | 4,052 | \$ | 103,835 | \$ | 1,375 | \$ 738,564 |
| | | | | | | | | |
| | | | | | | | | |
| \$ | - | \$ | 3,777 | \$ | - | \$ | - | \$ 254,655 |
| | - | | - | | - | | - | 233,237 |
| | 8,707 | | 275 | | - | | 1,375 | 146,837 |
| | - | | - | | 103,835 | | - | 103,835 |
| | | | | | | | | |
| \$ | 8,707 | \$ | 4,052 | \$ | 103,835 | \$ | 1,375 | \$ 738,564 |

ISABELLA COUNTY, MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Balance October 1, 2005 | Additions | Deductions | Balance September 30, 2006 |
|--|-------------------------------|----------------------|----------------------|----------------------------------|
| <u>TRUST & AGENCY FUND</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 7,490,128 | \$ 59,183,719 | \$ 66,086,969 | \$ 586,878 |
| Liabilities | | | | |
| Accounts payable: | | | | |
| Judgments | \$ 310,009 | \$ 6,252 | \$ 295,858 | \$ 20,403 |
| Bonds and restitutions | 341,256 | 488,315 | 599,096 | 230,475 |
| Due to other governmental units | 6,777,212 | 32,423,752 | 38,967,727 | 233,237 |
| Due to individuals | 61,651 | 279,874 | 238,762 | 102,763 |
| Total liabilities | \$ 7,490,128 | \$ 33,198,193 | \$ 40,101,443 | \$ 586,878 |
| <u>INMATE TRUST FUND</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 31,100 | \$ 1,634,996 | \$ 1,632,379 | \$ 33,717 |
| Liabilities | | | | |
| Due to other funds | \$ - | \$ 4,382 | \$ 4,382 | \$ - |
| Due to individuals | 31,100 | 1,636,957 | 1,634,340 | 33,717 |
| Total liabilities | \$ 31,100 | \$ 1,641,339 | \$ 1,638,722 | \$ 33,717 |
| <u>EMPLOYEE FLEXIBLE BENEFIT FUND</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 2,226 | \$ 77,566 | \$ 71,085 | \$ 8,707 |
| Liabilities | | | | |
| Due to individuals | \$ 2,226 | \$ 77,866 | \$ 71,385 | \$ 8,707 |

(Continued)

ISABELLA COUNTY, MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | Balance October 1, 2005 | Additions | Deductions | Balance September 30, 2006 |
|--|-------------------------------|---------------------|---------------------|----------------------------------|
| <u>PAYROLL FUND</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 123,491 | \$ 6,471,818 | \$ 6,592,422 | \$ 2,887 |
| Accounts receivable | - | 1,320 | 155 | 1,165 |
| Total assets | \$ 123,491 | \$ 6,473,138 | \$ 6,592,577 | \$ 4,052 |
| Liabilities | | | | |
| Accounts payable | \$ 89,698 | \$ 206,608 | \$ 292,529 | \$ 3,777 |
| Due to other governmental units | 33,718 | 2,858,783 | 2,892,501 | - |
| Due to individuals | 75 | 1,950 | 1,750 | 275 |
| Total liabilities | \$ 123,491 | \$ 3,067,341 | \$ 3,186,780 | \$ 4,052 |
| <u>LIBRARY PENAL FINES FUND</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 101,447 | \$ 1,029,575 | \$ 1,027,187 | \$ 103,835 |
| Liabilities | | | | |
| Undistributed receipts | \$ 101,447 | \$ 447,444 | \$ 445,056 | \$ 103,835 |
| <u>MEDICAL CARE FACILITY PATIENT FUND</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 932 | \$ 1,489 | \$ 1,046 | \$ 1,375 |
| Liabilities | | | | |
| Undistributed receipts | \$ 932 | \$ 1,489 | \$ 1,046 | \$ 1,375 |

ISABELLA COUNTY, MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| TOTAL - ALL AGENCY FUNDS | Balance October 1, 2005 | Additions | Deductions | Balance September 30, 2006 |
|---------------------------------|-------------------------------|----------------------|----------------------|----------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 7,749,324 | \$ 68,399,163 | \$ 75,411,088 | \$ 737,399 |
| Accounts receivable | - | 1,320 | 155 | 1,165 |
| Total assets | <u>\$ 7,749,324</u> | <u>\$ 68,400,483</u> | <u>\$ 75,411,243</u> | <u>\$ 738,564</u> |
| Liabilities | | | | |
| Accounts payable | \$ 740,963 | \$ 701,175 | \$ 1,187,483 | \$ 254,655 |
| Due to other funds | - | 4,382 | 4,382 | - |
| Due to other governmental units | 6,810,930 | 35,282,535 | 41,860,228 | 233,237 |
| Due to individuals | 95,052 | 1,996,647 | 1,946,237 | 145,462 |
| Undistributed receipts | 102,379 | 448,933 | 446,102 | 105,210 |
| Total liabilities | <u>\$ 7,749,324</u> | <u>\$ 38,433,672</u> | <u>\$ 45,444,432</u> | <u>\$ 738,564</u> |

ISABELLA COUNTY, MICHIGAN

DISCRETELY PRESENTED COMPONENT UNITS

DESCRIPTION OF FUNDS

The Discretely Presented Component Units of Isabella County are legally separate organizations included in the County's reporting entity because they are financially accountable to the County as defined by GASB Statement No. 14.

Financial statements for the Isabella County Board of Public Works and the Drainage Districts administered by the Isabella County Drain Commissioner have been presented in this section because separate audited financial statements are not available.

Isabella County Board of Public Works is responsible for the administration of the various public works capital projects funds and the associated debt service funds under the provisions of Act 185, Public Acts of 1937, as amended. The Board is also responsible for the administration of the operations of the Lake Isabella Water Supply System as reported in an Enterprise Fund.

The Drainage Districts are established pursuant to Act 40, PA 1956, as amended, and are administered by the Isabella County Drain Commissioner. The Drainage Districts include capital projects funds to report the drain construction and maintenance activities, debt service funds to maintain the financial resources for the payment of long-term debt and an internal service fund utilized to account for the purchase of drain tile which is then sold to the individual drainage districts.

ISABELLA COUNTY, MICHIGAN
BOARD OF PUBLIC WORKS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

| | Governmental Activities | Business-type Activities | Total |
|------------------------------|------------------------------------|-------------------------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 32,680 | \$ 40,100 | \$ 72,780 |
| Accounts receivable | 9,135,610 | 5,578 | 9,141,188 |
| Capital assets, net: | | | |
| Assets not being depreciated | - | 16,000 | 16,000 |
| Assets being depreciated | - | 54,251 | 54,251 |
| Total assets | 9,168,290 | 115,929 | 9,284,219 |
| Liabilities | | | |
| Accounts payable | 5,610 | 12,680 | 18,290 |
| Noncurrent liabilities: | | | |
| Due within one year | 190,000 | - | 190,000 |
| Due in more than one year | 8,940,000 | - | 8,940,000 |
| Total liabilities | 9,135,610 | 12,680 | 9,148,290 |
| Net Assets | | | |
| Invested in capital assets | - | 70,251 | 70,251 |
| Restricted for: | | | |
| Debt service | 175 | - | 175 |
| Capital projects | 32,505 | - | 32,505 |
| Unrestricted | - | 32,998 | 32,998 |
| Total net assets | \$ 32,680 | \$ 103,249 | \$ 135,929 |

**ISABELLA COUNTY, MICHIGAN
BOARD OF PUBLIC WORKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| <u>Functions / Programs</u> | <u>Expenses</u> | <u>Program</u> | <u>Net (Expense) Revenue and Changes in Net Assets</u> | | |
|--------------------------------------|------------------------|----------------------------|---|-----------------------------|---------------------|
| | | <u>Revenues</u> | <u>Governmental</u> | <u>Business-type</u> | <u>Total</u> |
| | | <u>Charges</u> | <u>Activities</u> | <u>Activities</u> | |
| | | <u>for Services</u> | | | |
| Governmental activities: | | | | | |
| Interest on debt | \$ 463,971 | \$ 432,124 | \$ (31,847) | \$ - | \$ (31,847) |
| Business-type activities: | | | | | |
| Lake Isabella Water Supply System | 33,118 | 20,164 | - | (12,954) | (12,954) |
| Total | <u>\$ 497,089</u> | <u>\$ 452,288</u> | (31,847) | (12,954) | (44,801) |
| General revenues: | | | | | |
| Unrestricted investment earnings | | | 1,070 | 437 | 1,507 |
| Change in net assets | | | (30,777) | (12,517) | (43,294) |
| Net assets, beginning of year | | | 63,457 | 115,766 | 179,223 |
| Net assets, end of year | | | <u>\$ 32,680</u> | <u>\$ 103,249</u> | <u>\$ 135,929</u> |

**ISABELLA COUNTY, MICHIGAN
BOARD OF PUBLIC WORKS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006**

| | Debt Service | | |
|--|-------------------------------------|------------------------------------|--|
| | Shepherd Storm Sewer | Clare Water & Sewer | Union Township Wastewater Treatment |
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ 175 | \$ - |
| Due from other governmental units | - | - | - |
| Capitalized lease receivable | 1,540,000 | 385,000 | 7,630,000 |
| Prepaid expenditures | - | 54,516 | 561,767 |
| Total assets | \$ 1,540,000 | \$ 439,691 | \$ 8,191,767 |
| Liabilities and fund balances | | | |
| Liabilities | | | |
| Bonds payable - due within one year | \$ - | \$ - | \$ - |
| Interest payable | - | - | - |
| Bonds payable | - | - | - |
| Deferred revenue | 1,540,000 | 439,516 | 8,191,767 |
| Total liabilities | 1,540,000 | 439,516 | 8,191,767 |
| Fund balances | | | |
| Reserved: | | | |
| Debt retirement | - | 175 | - |
| Capital projects | - | - | - |
| Total fund balances | - | 175 | - |
| Total liabilities and fund balances | \$ 1,540,000 | \$ 439,691 | \$ 8,191,767 |
| Net assets, restricted | | | |

| Capital Projects | | | | | | |
|---|--|---------------|--------------|----------------------------|--|--|
| Shepherd Storm Sewer Separation Construction | Clare Water & Sewer System Construction | Total | Adjustments | Statement of Net Assets | | |
| \$ 11,475 | \$ 21,030 | \$ 32,680 | \$ - | \$ 32,680 | | |
| - | - | - | 5,610 | 5,610 | | |
| - | - | 9,555,000 | (425,000) | 9,130,000 | | |
| - | - | 616,283 | (616,283) | - | | |
| \$ 11,475 | \$ 21,030 | \$ 10,203,963 | (1,035,673) | 9,168,290 | | |
| | | | | | | |
| \$ - | \$ - | \$ - | 190,000 | 190,000 | | |
| - | - | - | 5,610 | 5,610 | | |
| - | - | - | 8,940,000 | 8,940,000 | | |
| - | - | 10,171,283 | (10,171,283) | - | | |
| - | - | 10,171,283 | (1,035,673) | 9,135,610 | | |
| | | | | | | |
| - | - | 175 | (175) | - | | |
| 11,475 | 21,030 | 32,505 | (32,505) | - | | |
| 11,475 | 21,030 | 32,680 | (32,680) | - | | |
| \$ 11,475 | \$ 21,030 | \$ 10,203,963 | | | | |
| | | | | | | |
| | | | \$ 32,680 | \$ 32,680 | | |

**ISABELLA COUNTY, MICHIGAN
BOARD OF PUBLIC WORKS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Debt Service | | |
|--|-------------------------------------|------------------------------------|--|
| | Shepherd Storm Sewer | Clare Water & Sewer | Union Township Wastewater Treatment |
| Revenues | | | |
| Intergovernmental - local | \$ 251,405 | \$ 65,593 | \$ 705,756 |
| Interest and rentals | - | - | - |
| Total revenues | 251,405 | 65,593 | 705,756 |
| Expenditures/expenses | | | |
| Debt Service: | | | |
| Principal retirement | 180,000 | 45,000 | 365,000 |
| Interest and fiscal charges | 71,405 | 20,418 | 372,778 |
| Total expenditures/expenses | 251,405 | 65,418 | 737,778 |
| Net change in fund balance/net assets | - | 175 | (32,022) |
| Fund balances/Net Assets, beginning of period | - | - | 32,022 |
| Fund balances/Net Assets, end of period | \$ - | \$ 175 | \$ - |

| Capital Projects | | | | | |
|---|--|--------------|--------------|----------------------------|--|
| Shepherd Storm Sewer Separation Construction | Clare Water & Sewer System Construction | Total | Adjustments | Statement of Activities | |
| \$ - | \$ - | \$ 1,022,754 | \$ (590,630) | \$ 432,124 | |
| 378 | 692 | 1,070 | - | 1,070 | |
| 378 | 692 | 1,023,824 | (590,630) | 433,194 | |
| - | - | 590,000 | (590,000) | - | |
| - | - | 464,601 | (630) | 463,971 | |
| - | - | 1,054,601 | (590,630) | 463,971 | |
| 378 | 692 | (30,777) | - | (30,777) | |
| 11,097 | 20,338 | 63,457 | - | 63,457 | |
| \$ 11,475 | \$ 21,030 | \$ 32,680 | \$ - | \$ 32,680 | |

ISABELLA COUNTY, MICHIGAN
BOARD OF PUBLIC WORKS - LAKE ISABELLA WATER SUPPLY SYSTEM
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2006

Assets

Current assets

| | |
|-----------------------------|---------------|
| Cash and cash equivalents | \$ 40,100 |
| Accounts receivable | <u>5,578</u> |
| Total current assets | <u>45,678</u> |

Capital assets

| | |
|-------------------------------|------------------|
| Land | 16,000 |
| Improvements | 12,856 |
| Water supply system | 216,425 |
| Equipment | <u>12,197</u> |
| | 257,478 |
| Less accumulated depreciation | <u>(187,227)</u> |
| Total capital assets | <u>70,251</u> |
| Total assets | <u>115,929</u> |

Liabilities

| | |
|------------------|---------------|
| Accounts payable | <u>12,680</u> |
|------------------|---------------|

Net assets

| | |
|------------------------------|--------------------------|
| Investment in capital assets | 70,251 |
| Unrestricted | <u>32,998</u> |
| Total net assets | <u><u>\$ 103,249</u></u> |

**ISABELLA COUNTY, MICHIGAN
BOARD OF PUBLIC WORKS - LAKE ISABELLA WATER SUPPLY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | |
|----------------------------------|------------------------|
| Operating revenues | |
| Charges for services | \$ 20,164 |
| | <hr/> |
| Operating expenses | |
| Operating supplies | 2,970 |
| Utilities | 2,472 |
| Contractual services | 8,517 |
| Miscellaneous | 12,307 |
| Depreciation | 6,852 |
| | <hr/> |
| Total operating expenses | <hr/> 33,118 |
| Operating (loss) | (12,954) |
| Nonoperating revenues | |
| Interest earnings | 437 |
| | <hr/> |
| Change in net assets | (12,517) |
| Net assets, beginning of period | <hr/> 115,766 |
| Net assets, end of period | <hr/> \$ 103,249 <hr/> |

ISABELLA COUNTY, MICHIGAN
BOARD OF PUBLIC WORKS - LAKE ISABELLA WATER SUPPLY SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | |
|--|--------------------------|
| Cash flows from operating activities | |
| Receipts from customers and users | \$ 19,904 |
| Payments to suppliers | <u>(28,557)</u> |
| Net cash (used) by operating activities | (8,653) |
| Cash flows from investing activities | |
| Interest earned | <u>437</u> |
| Net (decrease) in cash and cash equivalents | (8,216) |
| Cash and cash equivalents, beginning of period | <u>48,316</u> |
| Cash and cash equivalents, end of period | <u><u>\$ 40,100</u></u> |
| Reconciliation of operating income to net cash provided by operating activities | |
| Operating (loss) | <u>\$ (12,954)</u> |
| Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 6,852 |
| (Increase) decrease in assets: | |
| Accounts receivable | (260) |
| Increase (decrease) in liabilities: | |
| Accounts payable | <u>(2,291)</u> |
| Total adjustments | <u>4,301</u> |
| Net cash (used) by operating activities | <u><u>\$ (8,653)</u></u> |

**ISABELLA COUNTY, MICHIGAN
DRAINAGE DISTRICTS
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2006**

| | Debt Service | | | | |
|---|-------------------|------------------|-------------------------------|--------------------|-------------------|
| | County Drain | Paisley Drain | Hance Improvement Drain | Potter & Brodie | Hance Phase II |
| Assets | | | | | |
| Cash and cash equivalents | \$ 246,536 | \$ 3,907 | \$ - | \$ - | \$ 295,253 |
| Investments | - | - | - | - | - |
| Special assessments receivable | 519,080 | - | - | - | 575,754 |
| Interest receivable | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| Prepaid expenditures | - | - | - | - | - |
| Capital assets, net: | | | | | |
| Assets not being depreciated | - | - | - | - | - |
| Assets being depreciated | - | - | - | - | - |
| Total assets | \$ 765,616 | \$ 3,907 | \$ - | \$ - | \$ 871,007 |
| Liabilities and fund balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - | - |
| Long-term debt - due within one year | - | - | - | - | - |
| Notes payable | - | - | - | - | - |
| Bonds payable | - | - | - | - | - |
| Deferred revenue | 515,818 | 3,898 | - | - | 575,754 |
| Total liabilities | 515,818 | 3,898 | - | - | 575,754 |
| Fund balances/net assets | | | | | |
| Fund balances: | | | | | |
| Reserved: | | | | | |
| Debt retirement | 249,798 | 9 | - | - | 295,253 |
| Unreserved: | | | | | |
| Undesignated | - | - | - | - | - |
| Total fund balances | 249,798 | 9 | - | - | 295,253 |
| Total liabilities and fund balances | \$ 765,616 | \$ 3,907 | \$ - | \$ - | \$ 871,007 |
| Net assets | | | | | |
| Investment in capital assets, net of related debt | | | | | |
| Restricted - debt service | | | | | |
| Unrestricted | | | | | |

| | | Capital Projects | | | | |
|-------------|-------------------|------------------------|---|---------------------|-------------------|-------------------------|
| Lamphere | Salt River | County Drain Revolving | County Drain Construction & Maintenance | Total | Adjustments | Statement of Net Assets |
| \$ - | \$ 223,213 | \$ 24,366 | \$ 775,090 | \$ 1,568,365 | \$ 14,992 | \$ 1,583,357 |
| - | - | - | 1,846,138 | 1,846,138 | - | 1,846,138 |
| - | 620,030 | - | 12,719 | 1,727,583 | 310,050 | 2,037,633 |
| - | - | - | 13,887 | 13,887 | - | 13,887 |
| - | - | 135,708 | 50 | 135,758 | (135,758) | - |
| - | - | - | - | - | 26,695 | 26,695 |
| - | 12,840 | - | - | 12,840 | (12,840) | - |
| - | - | - | - | - | 437,204 | 437,204 |
| - | - | - | - | - | 11,302,248 | 11,302,248 |
| <u>\$ -</u> | <u>\$ 856,083</u> | <u>\$ 160,074</u> | <u>\$ 2,647,884</u> | <u>\$ 5,304,571</u> | <u>11,942,591</u> | <u>17,247,162</u> |

| | | | | | | |
|------|---------|------|---------|-----------|-------------|-----------|
| \$ - | \$ - | \$ - | \$ - | \$ - | 33,994 | 33,994 |
| - | - | 50 | 135,708 | 135,758 | (135,758) | - |
| - | - | - | - | - | 515,229 | 515,229 |
| - | - | - | - | - | 796,142 | 796,142 |
| - | - | - | - | - | 1,959,800 | 1,959,800 |
| - | 620,030 | - | 497,314 | 2,212,814 | (1,715,500) | 497,314 |
| - | 620,030 | 50 | 633,022 | 2,348,572 | 1,453,907 | 3,802,479 |

| | | | | | | |
|-------------|-------------------|-------------------|---------------------|---------------------|-------------|---|
| - | 236,053 | - | - | 781,113 | (781,113) | - |
| - | - | 160,024 | 2,014,862 | 2,174,886 | (2,174,886) | - |
| - | 236,053 | 160,024 | 2,014,862 | 2,955,999 | (2,955,999) | - |
| <u>\$ -</u> | <u>\$ 856,083</u> | <u>\$ 160,074</u> | <u>\$ 2,647,884</u> | <u>\$ 5,304,571</u> | | |

| | |
|----------------------|----------------------|
| 8,468,281 | 8,468,281 |
| 781,113 | 781,113 |
| 4,195,289 | 4,195,289 |
| <u>\$ 13,444,683</u> | <u>\$ 13,444,683</u> |

**ISABELLA COUNTY, MICHIGAN
DRAINAGE DISTRICTS
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Debt Service | | | | |
|--|-------------------|------------------|-------------------------------|--------------------|-------------------|
| | County Drain | Paisley Drain | Hance Improvement Drain | Potter & Brodie | Hance Phase II |
| Revenues | | | | | |
| Intergovernmental - local | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest and rents | 9,515 | 9 | 5,040 | - | 10,328 |
| Other: | | | | | |
| Special assessments | 150,013 | - | - | - | 96,231 |
| Miscellaneous | - | - | - | - | - |
| Total revenues | 159,528 | 9 | 5,040 | - | 106,559 |
| Expenditures | | | | | |
| Public works | - | - | - | - | - |
| Debt Service: | | | | | |
| Principal retirement | 153,079 | - | - | - | 105,000 |
| Interest and fiscal charges | 33,819 | - | - | - | 34,695 |
| Total expenditures | 186,898 | - | - | - | 139,695 |
| Revenues over (under) expenditures | (27,370) | 9 | 5,040 | - | (33,136) |
| Other financing sources (uses) | | | | | |
| Transfers in | 1,351 | - | - | - | - |
| Transfers out | - | - | (341,218) | - | - |
| Note proceeds | - | - | - | - | - |
| Total other financing sources (uses) | 1,351 | - | (341,218) | - | - |
| Net change in fund balances | (26,019) | 9 | (336,178) | - | (33,136) |
| Change in net assets | | | | | |
| Fund balances/net assets, beginning of period, as restated | 275,817 | - | 336,178 | - | 328,389 |
| Fund balances/net assets, end of period | \$ 249,798 | \$ 9 | \$ - | \$ - | \$ 295,253 |

| | | Capital Projects | | | | | | |
|----------|------------|------------------------|---|--------------|---------------|-------------------------|--|--|
| Lamphere | Salt River | County Drain Revolving | County Drain Construction & Maintenance | Total | Adjustments | Statement of Activities | | |
| \$ - | \$ - | \$ - | \$ 109,122 | \$ 109,122 | \$ - | \$ 109,122 | | |
| 1,999 | 7,168 | 891 | 98,808 | 133,758 | - | 133,758 | | |
| 36,562 | 139,804 | - | 77,561 | 500,171 | (330,496) | 169,675 | | |
| - | - | - | 91,497 | 91,497 | 8,581 | 100,078 | | |
| 38,561 | 146,972 | 891 | 376,988 | 834,548 | (321,915) | 512,633 | | |
| - | - | - | 986,837 | 986,837 | (498,607) | 488,230 | | |
| 65,000 | 100,000 | - | 36,207 | 459,286 | (459,286) | - | | |
| 3,511 | 28,543 | - | 652 | 101,220 | 7,366 | 108,586 | | |
| 68,511 | 128,543 | - | 1,023,696 | 1,547,343 | (950,527) | 596,816 | | |
| (29,950) | 18,429 | 891 | (646,708) | (712,795) | 628,612 | (84,183) | | |
| - | - | - | 403,077 | 404,428 | (404,428) | - | | |
| (53,438) | (8,421) | - | (1,351) | (404,428) | 404,428 | - | | |
| - | - | - | 946,328 | 946,328 | (946,328) | - | | |
| (53,438) | (8,421) | - | 1,348,054 | 946,328 | (946,328) | - | | |
| (83,388) | 10,008 | 891 | 701,346 | 233,533 | (233,533) | - | | |
| | | | | | (84,183) | (84,183) | | |
| 83,388 | 226,045 | 159,133 | 1,313,516 | 2,722,466 | 10,806,400 | 13,528,866 | | |
| \$ - | \$ 236,053 | \$ 160,024 | \$ 2,014,862 | \$ 2,955,999 | \$ 10,572,867 | \$ 13,444,683 | | |

**ISABELLA COUNTY, MICHIGAN
DRAINAGE DISTRICTS - DRAIN TILE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2006**

| | <u>Internal Service</u> |
|--|------------------------------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 14,992 |
| Inventory | <u>26,695</u> |
| Total current assets/net assets | <u><u>\$ 41,687</u></u> |

**ISABELLA COUNTY, MICHIGAN
DRAINAGE DISTRICTS - DRAIN TILE
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | Internal Service |
|----------------------------------|-----------------------------|
| Operating revenues | |
| Sales | \$ 8,581 |
| Operating expenses | |
| Cost of drain tile sold | 6,307 |
| Supplies | 818 |
| Total operating expenses | 7,125 |
| Change in net assets | 1,456 |
| Net assets, beginning of period | 40,231 |
| Net assets, end of period | \$ 41,687 |

**ISABELLA COUNTY, MICHIGAN
DRAINAGE DISTRICTS - DRAIN TILE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| | <u>Internal Service</u> |
|---|------------------------------------|
| Cash flows from operating activities | |
| Receipts from interfund services provided | \$ 8,581 |
| Payments to suppliers | <u>(3,856)</u> |
| Net cash provided by operating activities | 4,725 |
| Cash and cash equivalents, beginning of period | <u>10,267</u> |
| Cash and cash equivalents, end of period | <u><u>\$ 14,992</u></u> |
| Reconciliation of operating income to net cash provided by operating activities | |
| Operating income | \$ 1,456 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| (Increase) decrease in assets: | |
| Inventory | <u>3,269</u> |
| Net cash provided by operating activities | <u><u>\$ 4,725</u></u> |

SECTION THREE: STATISTICAL SECTION

STATISTICAL SECTION

This part of Isabella County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| Contents | Page |
|---|-------------|
| Financial Trends | |
| <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i> | 136 |
| Revenue Capacity | |
| <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i> | 138 |
| Debt Capacity | |
| <i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i> | 145 |
| Demographic and Economic Information | |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i> | 148 |
| Operating Information | |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i> | 150 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

ISABELLA COUNTY
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 9,354,981 | \$ 6,216,255 | \$ 12,586,690 | \$ 13,583,934 |
| Restricted | - | - | - | - | - | - | 445,647 | 332,891 | 247,808 | 295,993 |
| Unrestricted | - | - | - | - | - | - | 9,164,097 | 8,388,443 | 4,934,619 | 7,839,719 |
| Total governmental activities net assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,964,725</u> | <u>\$ 14,937,589</u> | <u>\$ 17,769,117</u> | <u>\$ 21,719,646</u> |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,446,699 | \$ 2,616,645 | \$ 3,815,212 | \$ 3,780,427 |
| Restricted | - | - | - | - | - | - | 3,769,983 | 3,818,295 | 3,047,637 | 2,657,252 |
| Unrestricted | - | - | - | - | - | - | 5,656,994 | 5,886,611 | 6,058,074 | 7,960,768 |
| Total business-type activities net assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,873,676</u> | <u>\$ 12,321,551</u> | <u>\$ 12,920,923</u> | <u>\$ 14,398,447</u> |
| Primary government | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,801,680 | \$ 8,832,900 | \$ 16,401,902 | \$ 17,364,361 |
| Restricted | - | - | - | - | - | - | 4,215,630 | 4,151,186 | 3,295,445 | 2,953,245 |
| Unrestricted | - | - | - | - | - | - | 14,821,091 | 14,275,054 | 10,992,693 | 15,800,487 |
| Total primary activities net assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,838,401</u> | <u>\$ 27,259,140</u> | <u>\$ 30,690,040</u> | <u>\$ 36,118,093</u> |

ISABELLA COUNTY
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|---------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Legislative | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 111,879 | \$ 129,340 | \$ 126,641 | \$ 149,660 |
| Judicial | | | | | | | 3,428,840 | 3,424,445 | 3,416,344 | 3,602,065 |
| General government | | | | | | | 5,046,524 | 5,692,029 | 5,261,816 | 5,151,468 |
| Public safety | | | | | | | 6,115,722 | 6,866,982 | 6,921,138 | 6,993,809 |
| Public works | | | | | | | 369,285 | 362,475 | 76,458 | 117,136 |
| Health and welfare | | | | | | | 5,681,001 | 6,088,840 | 5,933,564 | 5,651,353 |
| Culture and recreation | | | | | | | 1,324,349 | 1,758,839 | 1,108,896 | 1,057,792 |
| Interest on debt | | | | | | | 361,231 | 348,408 | 315,652 | 297,716 |
| Total governmental activities expenses | - | - | - | - | - | - | 22,438,831 | 24,671,358 | 23,160,509 | 23,020,999 |
| Business-type activities: | | | | | | | | | | |
| Delinquent property tax | - | - | - | - | - | - | 49,388 | 59,382 | 65,087 | 70,472 |
| Building Inspections | | | | | | | | | 336,463 | 297,811 |
| Recycling facility | | | | | | | 852,048 | 1,019,740 | 1,091,877 | 897,929 |
| Concessions | | | | | | | 120,400 | 123,747 | 143,269 | 129,915 |
| Medical Care Facility | - | - | - | - | - | - | 5,493,390 | 5,973,028 | 6,451,341 | 7,993,776 |
| Total business-type activities expenses | - | - | - | - | - | - | 6,515,226 | 7,175,897 | 8,088,037 | 9,389,903 |
| Total primary government expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 28,954,057 | \$ 31,847,255 | \$ 31,248,546 | \$ 32,410,902 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Judicial | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,410,628 | \$ 2,201,125 | \$ 2,523,638 | \$ 2,234,581 |
| General government | - | - | - | - | - | - | 1,453,671 | 1,846,273 | 1,586,569 | 1,819,907 |
| Public safety | - | - | - | - | - | - | 2,509,817 | 2,721,036 | 2,160,798 | 2,175,113 |
| Health and welfare | - | - | - | - | - | - | 158,755 | 387,382 | 404,602 | 388,823 |
| Culture and recreation | - | - | - | - | - | - | 282,641 | 294,540 | 347,764 | 323,391 |
| Interest on debt | - | - | - | - | - | - | 41,668 | 156,526 | 133,341 | (53,584) |
| Operating grants and contributions | - | - | - | - | - | - | 5,588,177 | 7,024,679 | 7,314,517 | 7,274,570 |
| Capital grants and contributions | - | - | - | - | - | - | 304,088 | 621,800 | 744,934 | 439,063 |
| Total governmental activities program revenues | - | - | - | - | - | - | 12,749,445 | 15,253,361 | 15,216,163 | 14,601,864 |
| Business-type activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Delinquent property tax | - | - | - | - | - | - | 490,764 | 438,656 | 451,857 | 556,383 |
| Building Inspections | | | | | | | | | 398,178 | 331,525 |
| Recycling facility | | | | | | | 458,793 | 599,033 | 707,255 | 626,238 |
| Concessions | | | | | | | 155,943 | 164,687 | 200,684 | 222,021 |
| Medical Care Facility | - | - | - | - | - | - | 5,231,157 | 5,216,184 | 5,239,485 | 7,261,947 |
| Operating grants and contributions | - | - | - | - | - | - | 89,797 | 337,996 | 506,250 | 438,182 |
| Capital grants and contributions | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities program revenues | - | - | - | - | - | - | 6,426,454 | 6,756,556 | 7,503,709 | 9,436,296 |
| Total primary government program revenues | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 19,175,899 | \$ 22,009,917 | \$ 22,719,872 | \$ 24,038,160 |

ISABELLA COUNTY
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|----------------|----------------|----------------|----------------|
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (9,689,386) | \$ (9,417,997) | \$ (7,944,346) | \$ (8,419,135) |
| Business-type activities | - | - | - | - | - | - | (88,772) | (419,341) | (584,328) | 46,393 |
| Total primary government net expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (9,778,158) | \$ (9,837,338) | \$ (8,528,674) | \$ (8,372,742) |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,740,008 | \$ 7,124,073 | \$ 9,883,634 | \$ 10,964,855 |
| Unrestricted grants and contributions | - | - | - | - | - | - | 1,428,534 | 1,374,620 | 361,470 | 410,176 |
| Unrestricted investment earnings | - | - | - | - | - | - | 132,619 | 96,763 | 231,476 | 384,489 |
| Gain on disposal of capital assets | - | - | - | - | - | - | 37,265 | 2,400 | - | - |
| Other revenue | - | - | - | - | - | - | 17,715 | - | - | - |
| Transfers - internal activities | - | - | - | - | - | - | 251,686 | 496,000 | 299,294 | 429,404 |
| Total governmental activities | - | - | - | - | - | - | 8,607,827 | 9,093,856 | 10,775,874 | 12,188,924 |
| Business-type activities: | | | | | | | | | | |
| Property taxes | - | - | - | - | - | - | 1,051,974 | 1,005,052 | 1,072,663 | 1,150,880 |
| Unrestricted grants and contributions | - | - | - | - | - | - | - | 112,593 | 150,725 | 76,544 |
| Unrestricted investment earnings | - | - | - | - | - | - | 181,085 | 222,910 | 264,528 | 652,179 |
| Other revenue | - | - | - | - | - | - | - | - | 7,733 | - |
| Transfers - internal activities | - | - | - | - | - | - | (251,686) | (496,000) | (299,294) | (429,404) |
| Total business-type activities | - | - | - | - | - | - | 981,373 | 844,555 | 1,196,355 | 1,450,199 |
| Total primary government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 9,589,200 | \$ 9,938,411 | \$ 11,972,229 | \$ 13,639,123 |
| Change in Net Assets | | | | | | | | | | |
| Governmental activities | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (1,081,559) | \$ (324,141) | \$ 2,831,528 | \$ 3,769,789 |
| Business-type activities | - | - | - | - | - | - | 892,601 | 425,214 | 612,027 | 1,496,592 |
| Total primary government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (188,958) | \$ 101,073 | \$ 3,443,555 | \$ 5,266,381 |

ISABELLA COUNTY
Governmental Activities Tax Revenue By Source
Last Ten Fiscal Years
(accrual basis of accounting)

| Fiscal Year | Property Tax |
|------------------------|-------------------------|
| 1997 | \$ - |
| 1998 | - |
| 1999 | - |
| 2000 | - |
| 2001 | - |
| 2002 | - |
| 2003 | 6,740,008 |
| 2004 | 7,124,073 |
| 2005 | 9,883,634 |
| 2006 | 10,964,855 |

ISABELLA COUNTY
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------|---------------------|---------------------|---------------------|
| General fund | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 188,266 | \$ 114,084 | \$ 32,167 | \$ 23,911 |
| Unreserved | - | - | - | - | - | - | 3,848,170 | 3,741,109 | 4,341,327 | 4,704,913 |
| Total general fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,036,436</u> | <u>\$ 3,855,193</u> | <u>\$ 4,373,494</u> | <u>\$ 4,728,824</u> |
| | | | | | | | | | | |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 84,903 | \$ 108,095 | \$ 156,349 | \$ 246,485 |
| Unreserved | | | | | | | | | | |
| Special revenue funds | | | | | | | 668,633 | 839,081 | 2,108,826 | 3,928,953 |
| Debt Service Funds | | | | | | | 166,194 | 61,480 | 47,483 | 49,534 |
| Capital Project Funds | - | - | - | - | - | - | 6,284 | 49,232 | 68,095 | 12,141 |
| Total all other governmental funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 926,014</u> | <u>\$ 1,057,888</u> | <u>\$ 2,380,753</u> | <u>\$ 4,237,113</u> |

ISABELLA COUNTY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|---------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,746,395 | \$ 7,124,073 | \$ 9,883,634 | \$ 11,085,829 |
| Licenses and permits | - | - | - | - | - | - | 608,977 | 714,949 | 465,099 | 455,771 |
| Intergovernmental revenue | - | - | - | - | - | - | 6,864,943 | 8,629,153 | 7,897,888 | 7,462,530 |
| Charges for services | - | - | - | - | - | - | 3,585,781 | 3,605,104 | 3,944,473 | 3,902,825 |
| Fine and forfeits | - | - | - | - | - | - | 620,382 | 628,964 | 595,695 | 461,592 |
| Interest and rent | - | - | - | - | - | - | 2,632,643 | 3,071,834 | 2,303,142 | 2,444,298 |
| Other revenue | - | - | - | - | - | - | 545,490 | 583,635 | 737,417 | 799,483 |
| Total revenues | - | - | - | - | - | - | 21,604,611 | 24,357,712 | 25,827,348 | 26,612,328 |
| Expenditures | | | | | | | | | | |
| Legislative | - | - | - | - | - | - | 111,879 | 124,092 | 133,910 | 162,409 |
| Judicial | - | - | - | - | - | - | 3,240,618 | 3,200,776 | 3,372,731 | 3,548,747 |
| General government | - | - | - | - | - | - | 4,250,354 | 4,787,583 | 4,620,134 | 4,650,502 |
| Public safety | - | - | - | - | - | - | 5,723,636 | 6,491,517 | 6,921,785 | 7,331,698 |
| Public works | - | - | - | - | - | - | 409,065 | 364,410 | 243,093 | 186,192 |
| Health and welfare | - | - | - | - | - | - | 5,647,883 | 6,017,229 | 5,929,630 | 5,638,716 |
| Culture and recreation | - | - | - | - | - | - | 1,273,343 | 1,734,012 | 1,097,398 | 1,130,719 |
| Other | - | - | - | - | - | - | 374,657 | 512,313 | 529,918 | 401,492 |
| Capital outlay | - | - | - | - | - | - | 585,513 | 623,155 | 777,966 | 1,110,823 |
| Debt service | | | | | | | | | | |
| Principal | - | - | - | - | - | - | 429,302 | 702,533 | 336,959 | 370,968 |
| Interest | - | - | - | - | - | - | 361,231 | 348,408 | 321,952 | 297,776 |
| Total expenditures | - | - | - | - | - | - | 22,407,481 | 24,906,028 | 24,285,476 | 24,830,042 |
| Excess of revenues over (under) expenditures | - | - | - | - | - | - | (802,870) | (548,316) | 1,541,872 | 1,782,286 |

Table 5

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Other financing sources (uses) | | | | | | | | | | |
| Bond proceeds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 187,025 | \$ - | \$ - | \$ - |
| Sale of capital assets | - | - | - | - | - | - | 37,265 | 2,400 | - | - |
| Transfers in | | | | | | | 2,592,035 | 3,217,795 | 6,741,406 | 6,764,426 |
| Transfers (out) | - | - | - | - | - | - | (2,340,349) | (2,721,795) | (6,442,112) | (6,335,022) |
| Total other financing sources (uses) | - | - | - | - | - | - | 475,976 | 498,400 | 299,294 | 429,404 |
| Net change in fund balances | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | (326,894) | \$ (49,916) | \$ 1,841,166 | \$ 2,211,690 |
| Debt service as a percentage of noncapital expenditures | | | | | | | 1.66% | 1.43% | 1.37% | 1.26% |

ISABELLA COUNTY
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

| <u>Fiscal Year</u> | <u>Property Tax</u> |
|--------------------|---------------------|
| 1997 | \$ - |
| 1998 | - |
| 1999 | - |
| 2000 | - |
| 2001 | - |
| 2002 | - |
| 2003 | 6,746,395 |
| 2004 | 7,124,073 |
| 2005 | 9,883,634 |
| 2006 | 11,085,829 |

ISABELLA COUNTY
Assessed Value and Estimated True Cash Value of Taxable Property
Last Eight Fiscal Years

| Fiscal Year Ended September 30, | A.V. Real Property | | A.V. Personal Property | Total Assessed Value | Total Direct Tax Rate | Total Taxable Value | Estimated True Cash Value | Taxable Value as a Percentage of True Cash Value |
|--|-----------------------|-----------------|------------------------------|----------------------------|-----------------------------|---------------------------|------------------------------------|---|
| | Ag/Res | Com/Ind/T-C/Dev | | | | | | |
| 1999 | 748,881,347 | 189,480,180 | 97,940,068 | 1,036,301,595 | 7.0700 | 874,820,662 | 2,072,603,190 | 42.21% |
| 2000 | 827,314,911 | 212,469,158 | 95,821,239 | 1,135,605,308 | 7.1200 | 925,360,769 | 2,271,210,616 | 40.74% |
| 2001 | 939,284,708 | 268,943,829 | 97,381,842 | 1,305,610,379 | 7.1200 | 1,002,599,479 | 2,611,220,758 | 38.40% |
| 2002 | 1,018,986,127 | 291,499,881 | 98,597,769 | 1,409,083,777 | 8.1200 | 1,078,607,613 | 2,818,167,554 | 38.27% |
| 2003 | 1,119,278,833 | 327,362,254 | 96,990,643 | 1,543,631,730 | 8.0200 | 1,145,972,887 | 3,087,263,460 | 37.12% |
| 2004 | 1,221,983,772 | 353,026,964 | 101,428,375 | 1,676,439,111 | 8.1448 | 1,224,690,253 | 3,352,878,222 | 36.53% |
| 2005 | 1,330,374,674 | 375,539,834 | 106,113,539 | 1,812,028,047 | 8.1700 | 1,314,413,774 | 3,624,056,094 | 36.27% |
| 2006 | 1,455,811,177 | 406,602,475 | 108,564,527 | 1,970,978,179 | 9.1500 | 1,409,975,482 | 3,941,956,358 | 35.77% |

Source: Isabella County Equalization Department

Note: Property in the county is reassessed annually. The tax rates are applied to taxable value to generate revenue. True cash values are estimated at twice the State Equalized Value. Estimated actual value is calculated by dividing assessed value by those percentages.

Tax rates are per \$1,000 of taxable value.

ISABELLA COUNTY
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

| Fiscal Year (1) (2) | Isabella County | | | Overlapping Rates | | | | | | | | | |
|------------------------|----------------------|--------------------|----------------------------|--------------------|------------------------------|------------------------------|----------------------|------------------------------|--------------------------|-----------------|--------------|---------|------------------|
| | Operating Millage | Special Millage | Total County Millage | SET Schools (3) | Local School Districts | Inter- mediate Schools | Library Districts | Community Colleges | | | Cities | | |
| | | | | | | | | Mid-Michigan Comm College | Montcalm Comm College | Townships | Mt. Pleasant | Clare | Villages |
| 1996 | 6.6100 | 0.6000 | 7.2100 | 6.0000 | 19.7500 - 26.7000 | 1.1756 - 4.2570 | 0.0000 | 1.3664 | 2.8857 | 1.0000 - 3.2500 | 16.4000 | 17.6950 | 3.0000 - 13.0000 |
| 1997 | 6.4766 | 0.6000 | 7.0766 | 6.0000 | 19.7500 - 26.7000 | 1.1756 - 4.2570 | 0.0000 | 1.3664 | 2.8857 | .9902 - 3.2396 | 15.9000 | 17.6825 | 3.0000 - 13.0000 |
| 1998 | 6.4700 | 0.6000 | 7.0700 | 6.0000 | 19.5000 - 26.7000 | 1.1756 - 4.2575 | 0.0000 | 1.3613 | 2.8811 | .9717 - 3.2363 | 16.4000 | 17.6825 | 3.0000 - 13.0000 |
| 1999 | 6.4700 | 0.6000 | 7.0700 | 6.0000 | 17.7929 - 26.7000 | 1.1756 - 4.2372 | 1.7500 | 1.3454 | 2.8552 | .9522 - 3.2232 | 16.3095 | 17.6901 | 3.0000 - 13.0000 |
| 2000 | 6.4700 | 0.6500 | 7.1200 | 6.0000 | 17.6577 - 25.7944 | 1.1756 - 4.3691 | 1.7167 | 1.3357 | 2.8179 | .9241 - 3.2500 | 15.4500 | 20.3872 | 3.0000 - 12.9798 |
| 2001 | 6.4700 | 0.6500 | 7.1200 | 6.0000 | 19.4046 - 26.5200 | 1.1756 - 4.3418 | 1.7076 | 1.3202 | 2.7989 | .9750 - 3.2425 | 15.4500 | 20.4322 | 2.9383 - 12.9647 |
| 2002 | 6.4700 | 1.6500 | 8.1200 | 6.0000 | 19.1490 - 26.5200 | 1.1756 - 4.3326 | 1.7057 | 1.3036 | 2.7867 | .9586 - 3.1886 | 15.4500 | 20.4322 | 1.9226 - 13.0000 |
| 2003 | 6.4700 | 1.5500 | 8.0200 | 5.0000 | 18.7509 - 26.5200 | 1.1756 - 4.3064 | 1.7057 | 1.2792 | 2.7486 | .8926 - 3.1557 | 15.4500 | 20.1603 | 1.9103 - 13.0000 |
| 2004 | 6.4448 | 1.7000 | 8.1448 | 6.0000 | 18.5109 - 26.4426 | 1.1756 - 4.2985 | 1.6894 | 1.2582 | 2.7486 | .9246 - 3.1361 | 15.4500 | 20.1555 | 1.8874 - 13.0000 |
| 2005 | 6.4700 | 1.7000 | 8.1700 | 6.0000 | 20.0509 - 26.5200 | 1.1756 - 4.2985 | 2.6894 | 1.2404 | 2.7292 | .9775 - 3.1762 | 15.4500 | 19.2500 | 1.8556 - 13.0000 |

Source: Isabella County Equalization Department

(1) Rates reduced to comply with the Headlee Amendment.

(2) This is the year in which the tax is levied. 1997 refers to the 1998 tax collection, 1999 refers to the 2000 tax collection, and so on.

(3) Proposal A voted in on March 15, 1994 implemented a 6 mill state education tax with the exception of 2003 which was reduced to 5 mills.

ISABELLA COUNTY
Principal Property Taxpayers
December 31, 2006

| <u>Taxpayer</u> | <u>2006</u> | | | <u>1997</u> | | |
|-------------------------------|---------------------------------------|-------------|---|---------------------------------------|-------------|---|
| | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Value</u> |
| Consumers Energy | \$ 23,361,674 | 1 | 1.66% | \$ 12,710,116 | 1 | 1.55% |
| CME Corporation | 12,882,392 | 2 | 0.91% | - | | |
| Deerfield Village, LLC | 8,264,000 | 3 | 0.59% | - | | |
| Sterling Way Associates, LLC | 8,174,600 | 4 | 0.58% | - | | |
| Bluegrass Crossings, LLC | 7,970,628 | 5 | 0.57% | - | | |
| Mid Michigan Inns, Inc | 7,566,105 | 6 | 0.54% | - | | |
| Lexington Ridge Apts, LLC | 7,205,266 | 7 | 0.51% | - | | |
| United Investments, Inc | 6,953,652 | 8 | 0.49% | - | | |
| Morbark, Inc | 6,719,343 | 9 | 0.48% | 4,613,361 | 4 | 0.56% |
| Copper Beech Townhome | 6,291,860 | 10 | 0.45% | | | |
| Great Lakes Gas | - | | - | 8,073,862 | 2 | 0.98% |
| Developer's Div. Finance Corp | - | | - | 5,124,500 | 3 | 0.62% |
| Delfield | - | | - | 4,093,000 | 5 | 0.50% |
| James McGuirk | - | | - | 2,755,765 | 6 | 0.34% |
| Central Michigan Inn | - | | - | 2,706,800 | 7 | 0.33% |
| D & D Investment | - | | - | 2,465,585 | 8 | 0.30% |
| Hubscher | - | | - | 2,325,094 | 9 | 0.28% |
| Michigan Consolidated Gas | - | | - | 2,302,089 | 10 | 0.28% |
| Totals | <u>\$ 95,389,520</u> | | <u>6.77%</u> | <u>\$ 47,170,172</u> | | <u>5.75%</u> |

Source: Isabella County Equalization Department

ISABELLA COUNTY
Property Tax Levies and Collections
Last Ten Fiscal Years

| Year Ended December 31, | Total Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Delinquents Purchased by Treasurer | Collections in Subsequent Years | Total Collections to Date | |
|-------------------------------|--------------------------------------|---|-----------------------|--|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | | Amount | Percentage of Levy |
| 1997 | \$ 29,988,142 | \$ 27,773,128 | 92.61% | \$ 2,215,014 | \$ 2,215,014 | \$ 29,988,142 | 100.00% |
| 1998 | 31,371,180 | 28,951,007 | 92.29% | 2,420,173 | 2,420,173 | 31,371,180 | 100.00% |
| 1999 | 33,899,714 | 31,352,577 | 92.49% | 2,547,137 | 2,547,137 | 33,899,714 | 100.00% |
| 2000 | 37,018,083 | 34,281,954 | 92.61% | 2,736,129 | 2,736,129 | 37,018,083 | 100.00% |
| 2001 | 40,533,248 | 37,887,578 | 93.47% | 2,645,670 | 2,644,832 | 40,532,410 | 100.00% |
| 2002 | 44,477,633 | 41,857,154 | 94.11% | 2,620,479 | 2,590,298 | 44,447,452 | 99.93% |
| 2003 | 47,261,055 | 44,628,805 | 94.43% | 2,632,250 | 2,555,677 | 47,184,482 | 99.84% |
| 2004 | 49,564,009 | 46,747,863 | 94.32% | 2,816,146 | 2,355,494 | 49,103,357 | 99.07% |
| 2005 | 52,447,054 | 49,611,137 | 94.59% | 2,835,917 | 1,514,144 | 51,125,281 | 97.48% |
| **2006 | 57,704,880 | | | | | 0 | 0.00% |

Source: Isabella County Treasurer

(1) Includes all delinquent tax years March 31- March 31 and excludes personal tax collections.
Beginning in 2006, the delinquent collections will be broken down by year collected.

**2006 tax settlement not completed.

ISABELLA COUNTY
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
|----------------|--------------------------------|-------------------|----------------------------------|--------------------------------|---------------------------------|--------------------------------|---|-------------------|
| | General Obligation Bonds | Capital Leases | Postclosure Landfill Costs | Vested Employee Benefits | Business- Type Activities | | | |
| 1997 | \$ - | | \$ - | \$ - | \$ - | \$ - | 0.00% | \$ - |
| 1998 | - | - | - | - | - | - | 0.00% | - |
| 1999 | - | - | - | - | - | - | 0.00% | - |
| 2000 | - | - | - | - | - | - | - | - |
| 2001 | - | - | - | - | - | - | 0.00% | - |
| 2002 | - | - | - | - | - | - | 0.00% | - |
| 2003 | 6,735,000 | 167,114 | 1,180,280 | 770,449 | 8,271,933 | 17,124,776 | 1.23% | 268 |
| 2004 | 6,075,000 | 124,166 | 1,178,345 | 755,859 | 7,990,162 | 16,123,532 | 1.12% | 249 |
| 2005 | 5,785,000 | 80,656 | 1,011,710 | 762,645 | 7,724,085 | 15,364,096 | 1.00% | 235 |
| 2006 | 5,465,000 | 29,685 | 1,077,585 | 819,275 | 7,516,848 | 14,908,393 | N/A | 227 |

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See Statistical Table Number 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

ISABELLA COUNTY
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

| Fiscal Year | General Obligation Bonds | Less: Amounts Available in Debt Service Fund | Total | Percentage of Estimated Actual Taxable Value of Property (1) | Per Capita (2) |
|--------------------|---------------------------------|---|--------------|---|-----------------------|
| 1997 | \$ - | \$ - | \$ - | 0.00% | \$ - |
| 1998 | - | - | - | 0.00% | - |
| 1999 | - | - | - | 0.00% | - |
| 2000 | - | - | - | 0.00% | - |
| 2001 | - | - | - | 0.00% | - |
| 2002 | - | - | - | 0.00% | - |
| 2003 | 6,735,000 | 166,194 | 6,901,194 | 0.60% | 107 |
| 2004 | 6,075,000 | 61,480 | 6,013,520 | 0.49% | 92 |
| 2005 | 5,785,000 | 47,483 | 5,832,483 | 0.44% | 89 |
| 2006 | 5,465,000 | 49,534 | 5,514,534 | 0.39% | 84 |

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See Statistical Table Number 6 for property value data.

(2) See Statistical Table Number 13 for population data.

ISABELLA COUNTY
Legal Debt Margin Information
Last Ten Fiscal Years

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Legal debt limit | | | | | | | \$ 114,597,289 | \$ 122,469,025 | \$ 131,441,377 | \$ 140,997,548 |
| Total net debt applicable to limit | | | | | | | 1,482,741 | 12,608,564 | 12,013,933 | 11,649,178 |
| Legal debt margin | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 113,114,548</u> | <u>\$ 109,860,461</u> | <u>\$ 119,427,444</u> | <u>\$ 129,348,370</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 1.29% | 10.30% | 9.14% | 8.26% |

Legal Debt Margin Calculation for Fiscal Year 2006

| | |
|--|-----------------------|
| Taxable Value | \$ 1,409,975,482 |
| Debt limit (10% of taxable value of property in County) | 140,997,548 |
| Debt applicable to limit: (1) | 12,480,000 |
| Less: | |
| Assets in Debt Service funds available for payment of principal | <u>830,822</u> |
| Total amount of debt applicable to debt limit | <u>11,649,178</u> |
| Legal debt margin | <u>\$ 129,348,370</u> |

Note: Under state finance law Isabella County's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(1) Includes primary government

ISABELLA COUNTY
Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year | Population (1) | Personal Income (2) | Per Capita Personal Income | School Enrollment (3) | Unemployment Rate (4) |
|------------------------|-----------------------|--------------------------------|---|----------------------------------|----------------------------------|
| 1997 | 60,927 | \$ 1,081,571,000 | \$ 17,752 | (5) | 3.30% |
| 1998 | 62,089 | 1,139,804,000 | 18,358 | (5) | 2.90% |
| 1999 | 63,093 | 1,232,879,000 | 19,541 | (5) | 2.80% |
| 2000 | 63,351 | 1,301,298,000 | 20,541 | (5) | 3.30% |
| 2001 | 63,680 | 1,391,684,000 | 21,854 | (5) | 3.80% |
| 2002 | 63,936 | 1,391,607,000 | 21,766 | (5) | 4.30% |
| 2003 | 64,735 | 1,438,243,000 | 22,217 | (5) | 5.00% |
| 2004 | 65,351 | 1,534,906,000 | 23,487 | (5) | 4.90% |
| 2005 | 65,640 | (5) | (5) | 22,351 | 4.60% |
| 2006 | 65,818 | (5) | (5) | (5) | 5.10% |

Data Sources:

(1) Population Division, U.S. Census Bureau - Population is an estimate as of July 1, of fiscal year with the exception of 2000 which reflects the actual census.

(2) Bureau of Economic Analysis, U.S. Department of Commerce

(3) Local school districts

(4) Michigan Department of Labor and Economic Growth - Unemployment rate information is a yearly average not seasonally adjusted.

(5) Information not available.

ISABELLA COUNTY
Principal Employers
2006 and 1995

| Employer | 2006 | | | 1995 | | |
|-------------------------------------|------------------|-------------|--|------------------|-------------|--|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Soaring Eagle Hotel & Casino | 4,250 | 1 | 11.46% | | | |
| Central Michigan University | 2,328 | 2 | 6.28% | 2,112 | 1 | 7.82% |
| Saginaw Chippewa Indian Tribe | 738 | 3 | 1.99% | 1,539 | 2 | 5.70% |
| Central Michigan Community Hospital | 700 | 4 | 1.89% | 500 | 7 | 1.85% |
| Mt. Pleasant Public Schools | 650 | 5 | 1.75% | 650 | 6 | 2.41% |
| Delfield Co. | 600 | 6 | 1.62% | 710 | 3 | 2.63% |
| Morbark Inc. | 591 | 7 | 1.59% | 660 | 5 | 2.44% |
| Mount Pleasant Center | 475 | 8 | 1.28% | 400 | 8 | 1.48% |
| Meijer Inc. | 430 | 9 | 1.16% | 700 | 4 | 2.59% |
| CME Corporation/Mitsuba | 340 | 10 | 0.92% | | | |
| Randall Manufacturing | | | | 300 | 9 | 1.11% |
| LaBelle Management | | | | 289 | 10 | 1.07% |
| Totals | \$ 11,102 | | 29.94% | \$ 7,860 | | 29.11% |

Source:

Mt. Pleasant Area Chamber of Commerce Telephone Survey, 2005
 Isabella County Comprehensive Plan, Dec 1995

(1) 1995 is the most historical year for which information is available.

ISABELLA COUNTY
Full-time Equivalent County Employees by Function
Last Ten Fiscal Years

| Function | Full-time Equivalent Employees as of December 31, | | | | | | | | | |
|--------------------------------------|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| General service administration | (1) | (1) | (1) | (1) | (1) | (1) | (1) | 54.5 | 54.5 | 54.5 |
| Legislative | (1) | (1) | (1) | (1) | (1) | (1) | (1) | 7.0 | 7.0 | 7.0 |
| Judicial | (1) | (1) | (1) | (1) | (1) | (1) | (1) | 56.0 | 56.0 | 56.0 |
| Law enforcement and correction | (1) | (1) | (1) | (1) | (1) | (1) | (1) | 49.5 | 49.5 | 49.5 |
| Public safety and emergency services | (1) | (1) | (1) | (1) | (1) | (1) | (1) | 23.6 | 23.6 | 24.6 |
| Health and Welfare | (1) | (1) | (1) | (1) | (1) | (1) | (1) | 33.0 | 33.0 | 33.0 |
| Culture and recreation | (1) | (1) | (1) | (1) | (1) | (1) | (1) | 4.6 | 4.6 | 4.6 |
| Planning and development | (1) | (1) | (1) | (1) | (1) | (1) | (1) | 3.0 | 3.0 | 3.0 |
| Other Agencies | (1) | (1) | (1) | (1) | (1) | (1) | (1) | 3.0 | 3.0 | 3.0 |
| Total | - | - | - | - | - | - | - | 234.2 | 234.2 | 235.2 |

(1) Data not available

Source: Isabella County Administration Office

ISABELLA COUNTY
Operating Indicators by Function
Last Ten Fiscal Years

| Function | Fiscal Year | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Judicial | | | | | | | | | | |
| Circuit court total caseload | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| District court total caseload | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Probate court total caseload | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Law enforcement and corrections | | | | | | | | | | |
| Number of incarcerated offenders | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Public safety and emergency services | | | | | | | | | | |
| Animal Control | | | | | | | | | | |
| Complaints | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Animal adoptions | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Health and welfare | | | | | | | | | | |
| Health Department | | | | | | | | | | |
| Immunizations administered | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| House numbering | | | | | | | | | | |
| House numbers issued | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Housing | | | | | | | | | | |
| Mortgages granted | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Recreation and culture | | | | | | | | | | |
| Annual vehicle park passes | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Daily vehicle park passes | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Annual boat passes | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Daily boat passes | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |

Note: Indicators are not available for the general government, legislative functions, planning and development.

(1) Information not available at this time. Table will be populated as information becomes available.

ISABELLA COUNTY
Capital Asset Statistics by Function
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Function | | | | | | | | | | |
| Judicial | | | | | | | | | | |
| Juvenile Detention Facilities | - | - | - | - | - | - | - | - | - | 2 |
| Law enforcement and corrections | | | | | | | | | | |
| Sheriff | | | | | | | | | | |
| Vehicles | - | - | - | - | - | - | - | - | - | 25 |
| Boats | - | - | - | - | - | - | - | - | - | 1 |
| Jail Facilities | - | - | - | - | - | - | - | - | - | 1 |
| Public safety and emergency services | | | | | | | | | | |
| Animal control | | | | | | | | | | |
| Vehicles | - | - | - | - | - | - | - | - | - | 3 |
| Emergency Services | | | | | | | | | | |
| Vehicles | - | - | - | - | - | - | - | - | - | 2 |
| Community & Economic Development | | | | | | | | | | |
| Vehicles | - | - | - | - | - | - | - | - | - | 2 |
| Recreation and culture | | | | | | | | | | |
| Parks and recreation | | | | | | | | | | |
| Parks | - | - | - | - | - | - | - | - | - | 4 |
| Vehicles | - | - | - | - | - | - | - | - | - | 2 |

Sources: Isabella County Finance Department

Note: No capital asset indicators are available for the general government, legislative, health & welfare, or public works functions.

Not all historical information is available, this table will continue to be populated as more information becomes available.

SECTION FOUR: SINGLE AUDIT SECTION

**ISABELLA COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS - THROUGH GRANTOR'S NUMBER | FEDERAL AWARDS EXPENDED |
|---|------------------------------------|--|--|
| PRIMARY GOVERNMENT: | | | |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| PASSED THROUGH REGION VII AREA AGENCY ON AGING | | | |
| Food Distribution Program | | | |
| Home Distribution and Congregate Meals | 10.570 | N/A | \$ 80,958 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| PASSED THROUGH MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY | | | |
| Community Development Block Grant/State's Program - | | | |
| Michigan Community Development Grant Housing Program | 14.228 | MSC-2003-5824-HOA | 8,589 |
| MSHDA PIP program | 14.228 | N/A | 11,230 |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | 19,819 |
| U.S. DEPARTMENT OF JUSTICE | | | |
| PASSED THROUGH MICHIGAN FAMILY INDEPENDENCE AGENCY | | | |
| Juvenile Accountability Incentive Block Grant | 16.523 | N/A | 4,064 |
| PASSED THROUGH MICHIGAN OFFICE OF DRUG CONTROL POLICY | | | |
| Byrne Formula Grant Program - B.A.Y.A.N.E.T. | 16.579 | 2004-1363-72080 | 17,195 |
| PASSED THROUGH MICHIGAN OFFICE OF CRIMINAL JUSTICE | | | |
| Drug Court Discretionary Grant | 16.585 | N/A | 2,210 |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | | 23,469 |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| PASSED THROUGH MICHIGAN OFFICE OF HIGHWAY SAFETY AND PLANNING | | | |
| Click It or Ticket | 20.604 | 2005-PT-04-69 | 7,153 |
| PASSED THROUGH MICHIGAN DEPARTMENT OF STATE POLICE | | | |
| LEPC Grant | 20.703 | N/A | 781 |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | 7,934 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| PASSED THROUGH REGION VII AREA AGENCY ON AGING | | | |
| Special Programs for Aging - | | | |
| Title III Part B - | | | |
| Case Coordination and Support | 93.044 | N/A | 30,720 |
| Homemaker | 93.044 | N/A | 3,405 |
| Personal Care | 93.044 | N/A | 1,301 |
| Senior Center Staffing | 93.044 | N/A | 8,379 |
| POS CM Personal Care | 93.044 | N/A | 87 |
| POS CM Homemaking | 93.044 | N/A | 56 |
| Title III Part C - | | | |
| Home Delivered Meals | 93.045 | N/A | 55,122 |
| Congregate Meals | 93.045 | N/A | 80,117 |
| Title III Part D - | | | |
| Medication Management | 93.043 | | 875 |
| Title III Part E - | | | |
| Caregiver Training Program | 93.052 | N/A | 18,480 |
| Supplemental Funds | 93.052 | N/A | 2,983 |
| Kinship Care Funds | 93.052 | N/A | 1,197 |
| POS Waiver | 93.778 | N/A | 20,528 |
| SPAP | 93.779 | N/A | 3,323 |
| MMAP | 93.779 | N/A | 2,313 |

(Continued)

**ISABELLA COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS - THROUGH GRANTOR'S NUMBER | FEDERAL AWARDS EXPENDED |
|--|------------------------------------|--|--|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| (Continued) | | | |
| PASSED THROUGH MICHIGAN FAMILY INDEPENDENCE AGENCY | | | |
| AFDC Maintenance Assistance - ADC Incentive Payments (a) | 93.560 | N/A | \$ 83,547 |
| Title IV - D Child Support Enforcement - Cooperative Reimbursement (b) - | | | |
| Friend of the Court | 93.563 | CS/FOC 04-37001 | 402,716 |
| Prosecuting Attorney | 93.563 | CS/PA 04-37002 | 23,360 |
| Medical Support Enforcement | 93.563 | CS/MED-04-37001 | 3,764 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 742,273 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| PASSED THROUGH MICHIGAN DEPARTMENT OF STATE POLICE | | | |
| FY 2004 Homeland Security Grant | 97.004 | N/A | 35,335 |
| FY 2005 Homeland Security Grant | 97.004 | N/A | 311,716 |
| Emergency Management Grant | 97.067 | N/A | 19,356 |
| Federal Emergency Management: | | | |
| CERT Grant | 83.562 | MCSC/CERT/F-10/04 | 280,224 |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | 646,631 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE - PRIMARY GOVERNMENT | | | 1,521,084 |
| FEDERAL FUNDS AUDITED BY OTHER AUDITORS | | | |
| Road Commission | | | 1,648,312 |
| Central Michigan District Health | | | 2,382,767 |
| Transportation Commission | | | 823,704 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | \$ 6,375,867 |

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Isabella County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements



**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

February 2, 2007

To the Board of Commissioners
of Isabella County, Michigan
Mt. Pleasant, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregately discretely presented component units, each major fund, and the aggregate remaining fund information of *Isabella County, Michigan*, as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated February 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the discretely presented component unit financial statements of the Isabella County Road Commission, Central Michigan District Health Department and the Isabella County Transportation Commission, which represent 74% and 96%, respectively, of the assets and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of Isabella County Medical Care Facility, which is a major enterprise fund, and therefore a separate opinion unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Isabella County Road Commission, Central Michigan Health Department, Isabella County Transportation Commission, and Isabella County Medical Care Facility, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Isabella County's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that

would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of *Isabella County* in a separate letter dated February 2, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Isabella County's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to the management of *Isabella County* in a separate letter dated February 2, 2007.

This report is intended solely for the information and use of the Finance Committee, management, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

February 2, 2007

To the Board of Commissioners
of Isabella County, Michigan
Mt. Pleasant, Michigan

Compliance

We have audited the compliance of **Isabella County, Michigan**, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. **Isabella County's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Isabella County's** management. Our responsibility is to express an opinion on **Isabella County's** compliance based on our audit.

Isabella County's basic financial statements include the operations of the Isabella County Road Commission, the Central Michigan District Health Department, and the Isabella County Transportation Commission, which received \$1,648,312, \$2,382,767 and \$823,704, respectively, in federal awards which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2006. Our audit, described below, did not include the operations of the Isabella County Road Commission, the Central Michigan District Health Department, or the Isabella County Transportation Commission because the Isabella County Road Commission, the Central Michigan District Health Department, and the Isabella County Transportation Commission engaged other auditors to perform audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Isabella County's** compliance with those requirements and

performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on *Isabella County's* compliance with those requirements.

In our opinion, *Isabella County* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of *Isabella County* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Isabella County's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We did not audit the discretely presented component unit financial statements of the Isabella County Road Commission, Central Michigan District Health Department and the Isabella County Transportation Commission, which represent 73% and 95% of the assets and revenues, respectively, of the aggregate discretely presented component units. Also, we did not audit the financial statements of Isabella County Medical Care Facility, which is a major enterprise fund, and therefore a separate opinion unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Isabella County Road Commission, Central Michigan Health Department, Isabella County Transportation Commission, and Isabella County Medical Care Facility, is based solely on the reports of the other auditors.

This report is intended solely for the information and use of the finance committee, management, Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Lehmann Johnson".

ISABELLA COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2006

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified on financial statements*

Internal controls over financial reporting:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? _____ yes X no

Identification of Major Programs

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------------|--|
| 97.004 and 97.067 83.562 | Homeland Security Grant Program CERT Grant |

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

Prior Year Findings

2005-1 Reporting requirements

Grantor: U.S. Department of Homeland Security, Passed through Michigan
Department of State Police **CFDA #:** 97.004

Award Name: Homeland Security Cluster – 2004 Homeland Security Grant

Condition: The grant agreement for the 2004 Homeland Security Grant requires that the County submit quarterly reimbursement requests based on a predefined calendar. The County is not filing their reports in accordance with this calendar. There has been no written waiver of this requirement by either the grantor, Michigan State Police, or the federal agency, Department of Homeland Security.

No costs were questioned in the current year as a result of this finding.

Recommendation: We recommend that the County identify all reporting requirements and deadlines at the start of each grant agreement and file their reports within those guidelines. If these guidelines can not be met, then the County should obtain written authorization to vary from the defined requirements.

Status: There were no significant deficiencies in the reporting requirements noted for the 2004 Homeland Security Grant expenditures in the current year. The County also appears to be following the reporting requirements for the 2005 Homeland Security Grant and the CERT grant.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

February 2, 2007

To the Board of Commissioners
Isabella County
Mt. Pleasant, Michigan

In planning and performing our audit of the financial statements of ***Isabella County*** for the year ended September 30, 2006, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 2, 2007, on the financial statements of ***Isabella County***.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We wish to thank the management and personnel for their support and assistance during the audit of ***Isabella County***.

ISABELLA COUNTY

COMMENTS AND RECOMMENDATIONS

A) CURRENT YEAR DEFICIT NET ASSETS

The County's Building Inspections Enterprise Fund ended the year with a deficit of \$61,061. The County is required to have a deficit elimination plan approved by the State Department of Treasury for any fund that ends the year in a fund deficit situation.

We recommend that the County investigate the cause of the deficits, develop a plan for reducing the deficit, and submit the plan to the State Department of Treasury for approval.

B) APPROVAL OF INVOICES

Prior to the payment of vendor invoices the disbursements are reviewed by the Clerk's office and Administration. However, during our procedures related to disbursements, we observed several instances where the vouchers or invoices were not indicated as approved by Administration.

We recommend that Administration consider reviewing the existing process for disbursements and monitor the applicable internal controls to ensure that all disbursements are properly indicated as approved prior to payment.

C) TRAVEL AND TRAINING EXPENDITURES

During our procedures related to travel and training expenditures, we observed several instances where expense logs were not signed by both the employee and the department head or authorized agent. Also, we observed instances where the incorrect per diem rates were used for out-of-state travel.

We recommend that the County monitor the applicable internal controls to ensure that all travel and training expenditures are properly authorized and the proper per diem rates are used.

D) BANK ACCOUNTS NOT INCLUDED ON COUNTY GENERAL LEDGER

Audit procedures disclosed two bank accounts (a Food with Friends account at the Commission on Aging and a Coke Fund at the Sheriff's Department) were opened without the authorization of the Board of Commissioners, not under the control of the County Treasurer's office and none of the transactions flowing through the accounts were recorded in the County's records. According to Michigan Compiled Laws, all bank accounts opened to collect public funds are to be approved through a Board resolution and all receipts related to those accounts are to be collected, deposited and accounted for by the County Treasurer.

ISABELLA COUNTY

COMMENTS AND RECOMMENDATIONS

We recommend that the County takes the necessary steps to move the funds to the Treasurer's control and a policy should be established regarding the proper procedures for establishment of future bank accounts. The transfer of the funds in these accounts to the Treasurer's control will allow the County to meet the requirements of Michigan law. This change will also improve the controls over the collection and disbursements of public funds.